



Economic Intelligence Weekly Review

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Articles

FRANCE: OUTLOOK FOR THE ECONOMY UNDER LEFTIST MANAGEMENT*

The economic policies of a leftist coalition government in France would almost certainly fall far short of the expectations expressed in the Common Program of Government (CPG) embraced since 1972 by the Socialists and Communists. In any case, recent dissension between the two parties has materially reduced both their chances of winning the election next March and the likelihood that they could cooperate in a durable government. A reconciliation doubtless would give the upper hand to the more moderate Socialist Party, which has a substantial edge over the Communists in electoral strength.

On balance, the policies of the left would be likely to worsen France's economic problems over the next few years compared with what a Barre government might achieve. When measured against overoptimistic expectations, the results surely would be a major disappointment to leftist voters, intensifying discord between the Communists and Socialists. Even under the most favorable conditions, the two parties could hardly continue sharing the reins of power for more than two or three years.

Latest polls still give the left a 49- to 47-percent edge in the popular vote, with 4 percent going to the ecologists—most of whom will vote for the left in the second round. If the Socialists and Communists can reach a pragmatic electoral agreement the election will be close, otherwise the left is certain to lose. The Socialists are pressing for such an agreement, but the Communists have refused to commit themselves.

The Common Program and Beyond

If the left comes to power in France, it would be able to implement only those policies agreed to by both Socialists and Communists. This probably would mean staying within the bounds of the original Common Program hammered out in the 1972 negotiations between the two parties. Recent efforts to update the program ended in resounding failure, primarily because the Communists demanded far more extensive nationalization than the Socialists would accept.



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While the CPG is an invaluable guide to likely leftist policies, it fails to address some major problems, such as unemployment. More important are the many ambiguities which leave the CPG open to widely varying interpretations. For example, the CPG is vague on a number of crucial points regarding nationalization. It also is ambivalent and sometimes contradictory on the subject of inflation. The CPG seems to provide a good guide to the *directions* that leftist policies would take in various areas while telling little about the *timing* and *scope* of these policies.

In all likelihood, basic economic policy would be set by the more moderate elements within the left—personified by Socialist leader Francois Mitterrand and his two key economic advisers, Jacques Attali and Michel Rocard. They would have the backing of the junior member of the left alliance, the Left Radicals, who, despite their name, are the most moderate of the three leftist parties. While Mitterrand may have difficulty with the more extreme elements within his own party, he appears strong enough to keep them in check.

Mitterrand, who has fought long and hard to bring socialism to power in France, is determined not to bungle the job. He is well aware of the economic blunders committed by impetuous leftist governments in Chile and Portugal; thus, he and his advisers are committed to mapping out a realistic strategy that would start France moving toward socialism without disrupting the economy.

A leftist government would be compelled by the expectations of its supporters to follow up promptly on its numerous campaign promises. Because of its obvious popular appeal, one of the first issues addressed would be *wages*, in particular the minimum wage. Mindful of the Chilean and Portuguese examples, the Socialists would have to reject demands already voiced by the Communists for an immediate 40-percent hike in the minimum wage. A reasonable compromise might be an immediate increase of about 15 percent, coupled with a pledge that future gains would at least keep pace with inflation. This increase at the bottom of the wage scale presumably would be accompanied by smaller percentage raises for other workers. Such a compromise might raise average wages by nearly 10 percent in one quarter, compared with the 2- to 3-percent gain to be anticipated under a Barre government.

Also up for early action would be some degree of *nationalization*. A plausible first objective might be complete nationalization of banking by yearend 1978, coupled with agreement on a schedule for takeovers of industrial firms. Socialist moderates are quite aware that the left lacks trained administrators; they would probably seek to spread the nationalizations out over the five-year life of the new legislature to minimize disruptions. The Communists and the labor unions, on the other hand, would press for faster and more extensive action.

A critical problem for any French government over the next few years will be *unemployment*. Joblessness has almost tripled over the past three and one-half years to a current level of 1.2 million, or slightly more than 5 percent of the labor force. The Socialists

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would attack unemployment by creating about 200,000 public service jobs during the first year of the leftist government. They expect that their economic policies would soon boost real GNP growth to 5 percent or more and that after 1978 most job creation would occur in the private sector. The Socialists hope to cut unemployment by 100,000 annually during the five-year life of the next legislature. The Communists want a much more ambitious program of job creation and economic stimulation and have even voiced the hope of reducing unemployment to 200,000 within five years.

Finally, a leftist government can be expected to alter *taxes and expenditures* along the general lines indicated in the CPG. It would amend the 1978 budget to increase expenditures for public projects and especially for transfer payments. The Socialists would want to do something sufficiently dramatic to distinguish themselves from the present government, although they have avoided publishing specific figures. A leftist government would thus be compelled to announce expenditure increases of at least 10 percent beyond those called for in the Barre budget, for whatever remains of the 1978 fiscal year. On the tax side, the government presumably would move to lighten the burden on the poor by reducing income tax rates for the lower brackets and the value-added tax on necessities. The budget deficit would balloon because increased taxes on business and the wealthy would not cover the gap created by the tax cuts and expenditure increases.

Problems of the French Economy Under Leftist Management

A leftist government would face irreconcilable differences between the ultimate objectives of the two main coalition partners. The Communists want to build a Marxist state complete with a centrally planned economy and nearly universal government ownership of the means of production. The Socialists, in sharp contrast, would leave most of the economy in private hands, although they would substantially increase the role of government. To oversimplify, the one party sees the Soviet Union as its economic model, while the other looks toward the Swedish example.

The division between Socialists and Communists almost certainly would grow over time if they were in power. Agreement on the first steps of a leftist government would be relatively easy, as is illustrated by the Common Program. For the Communists the CPG represents only a first step, whereas for the Socialists it embodies most of what needs to be done. Once the nationalizations and other measures outlined in the CPG are implemented, the interests of Socialists and Communists would inexorably diverge.

A leftist government would encounter serious difficulties resulting from contradictions within its policy package:

- The plan to boost the minimum wage would collide head on with the target of slashing unemployment.

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- The rise in the general level of wages and the likely changes in taxes and expenditures would conflict with the goal of slowing inflation.
- The new leftist policies toward business would run counter to the objective of boosting investment and employment. Business earnings, which customarily finance more than half of French investment, would be severely squeezed by both higher wages and higher taxes. Moreover, perceiving the leftist government as antibusiness, businessmen would be reluctant to invest and hire new workers.
- Problems with investment, unemployment, and inflation would conflict with the goal of allowing autonomy for nationalized firms on operational decisions. Pressure would soon mount for the government to order these firms to hold down prices, raise investment, and step up hiring.

The Probable Results: More Failures than Successes

Supporters of a leftist government almost certainly would be disappointed by its economic performance. This would not be a major factor during the first year, both because voters initially would be tolerant and because the problems themselves would develop gradually. The disillusionment would grow in 1979-80, as inflation and unemployment continue to worsen.

Under leftist management, we believe that the French economy would experience the following:

Inflation would worsen. Instead of continuing its slow decline, the inflation rate likely would move back into the double-digit range by the end of 1978. It would continue to drift upward under the impact of increased budget deficits, larger wage settlements, and rapid monetary growth.

Production would increase moderately. Under either leftist or rightist control real GNP growth is most likely to be in the 4- to 5-percent range next year. Consumption would play a larger role and private investment a smaller role under leftist management.

The trade deficit would increase. Increased consumer spending seems certain to spill over into imported goods, although depreciation of the franc—which probably would precede the trade developments—could mitigate the adverse impact on the trade balance.

Unemployment would rise. Being unexpected, this development would be the most devastating to the leftist government. Increased government hiring would be more than offset by (a) increased private employer reluctance to add workers, (b)

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OPEC OIL EARNINGS: IMPACT OF EXCHANGE RATE FLUCTUATIONS

At this time, we do not think OPEC will switch from US dollar-denominated oil prices. The decline in the value of the dollar since the last OPEC meeting in December 1976 has again raised concern among OPEC countries over the declining real value of their oil earnings, which are denominated in dollars. Deliberations at the upcoming December meeting in Caracas will be influenced by this issue, but most OPEC members realize that pricing oil in dollars continues to work to their advantage. The OPEC Economic Commission Board has calculated that losses due to the declining value of the dollar in the last year have been minimal; the oil ministers are unlikely to move to a new unit of oil pricing in the near future.

From time to time various OPEC members have questioned pricing oil in dollars, sometimes advocating pricing in IMF Special Drawing Rights (SDRs) or some other basket of currencies. We used three methods to measure whether OPEC members have gained or lost from the dollar pricing of oil: by comparing the dollar's value relative to (a) the SDR, (b) a group of major currencies weighted by the value of *OPEC imports* from each country, and (c) the same group of major currencies weighted by the value of *OPEC imports and foreign investments* in each currency.

SDR Pricing

According to press reports, OPEC concern over erosion of real export earnings has rekindled interest in alternative oil pricing schemes. For example, Shaykh Ali Khalifa, Under Secretary to the Kuwaiti Acting Oil Minister, recently discussed preserving the real value of oil

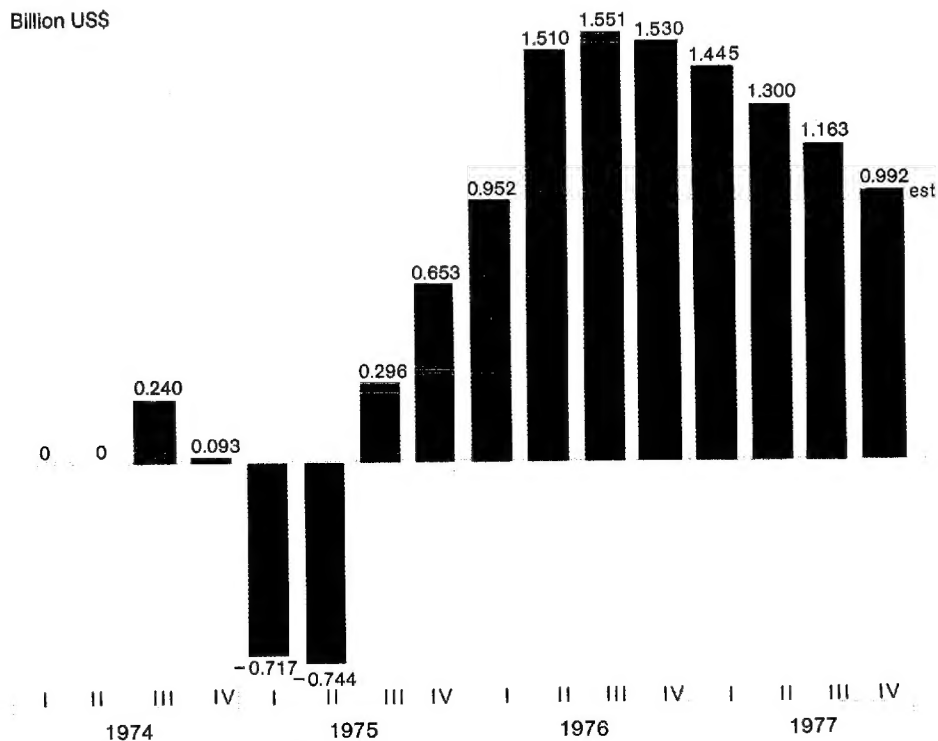
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earnings by setting oil prices in SDRs. OPEC members have not discussed any specific alternative basket of currencies besides the SDR group. Since members have different trading patterns with the major developed countries, they would have difficulty agreeing on another currency mix.

The dollar has declined 1.4 percent against the SDR since the end of 1976, when most OPEC members last raised oil prices. Despite this decline, the value of the US dollar relative to the SDR is still nearly 3 percent above its 1973 level. Based on the dollar-SDR parity of 1973, the dollar fell below its base period level only between December 1974 and July 1975.

OPEC: Net Revenue Accrued from Dollar Prices Relative to SDR Denominated Prices¹

Billion US\$



1. Net revenues are obtained by multiplying gross revenues by the changes in the SDR per US\$ index based on 1973 parity.

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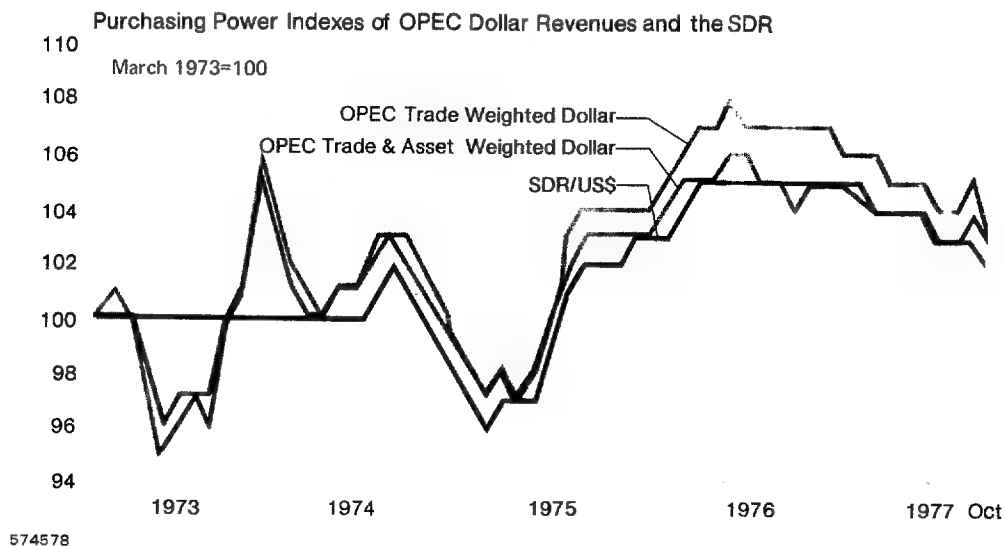
Over the last four years, OPEC revenues from dollar oil prices have far exceeded the potential revenues that would have been generated through an SDR pricing system. Since mid-1974, when the dollar began to float against the SDR, cumulative dollar revenues have been more than \$10 billion above the amount that would have been received under an SDR pricing scheme.

Exchange Rate Movements

Following the abandonment of the fixed exchange rate system in March 1973, the value of major currencies has been determined largely by market forces. In terms of dollars, OPEC countries pay higher real prices for goods imported from countries whose currencies appreciate against the dollar and pay lower real prices for imports from countries with depreciating currencies. Exchange rate movements have no effect on OPEC imports from the United States, which are also in dollars. Since December 1976, appreciation of the yen, pound, and mark has increased the real price of imports from Japan, the United Kingdom, and West Germany to OPEC members in terms of their dollar-denominated exports. On the other hand, the real prices of imports from Australia, Canada, Denmark, Norway, Spain, and Sweden have fallen because their currencies have lost value relative to the US dollar.

The Purchasing Power of OPEC Oil Earnings

In 1977 the rapid appreciation of the yen and the continuing strength of the West German mark lowered the purchasing power index for the dollar, as weighted by *OPEC imports*, by about 3.5 percent. Nonetheless, at the end of October, the index stood at 3 percent above the March 1973 level.* By the end of 1976 the dollar purchasing power index had risen



*The purchasing power index of dollar revenues received by OPEC countries is a geometric average of the indexes for the currencies of 17 major industrial nations relative to the US dollar, weighted by 1976 OPEC imports from the

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by nearly 7 percent over its March 1973 level. Since oil prices quadrupled in 1973/1974, dollar-denominated oil prices have generated a purchasing power gain for OPEC countries, except for the first six months of 1975.

The purchasing power index of dollar revenues weighted by *OPEC trade and foreign investment flows* for 1976 shows less variation resulting from exchange rate movements; this is attributable to the predominance of dollar-denominated financial assets in the OPEC investment portfolio. From total export earnings of \$123 billion in 1976, OPEC spent 77 percent on imports of goods and services and the remainder on foreign-currency-denominated assets. This year, the trade and asset weighted index has fallen 3 percent, slightly less than the index weighted by trade alone. At the end of October, the trade and asset weighted index stood 2 percent above its March 1973 level.

Prospects

The OPEC oil ministers meeting scheduled for 20 December will focus on the issue of changing the price of oil. There is little indication that the ministers will seriously consider switching from dollar-denominated oil prices. Even though reports indicate that Kuwait has informed Saudi Arabia of a growing concern over the erosion of real income from currency movements, the impact of world inflation on OPEC earnings still appears to be the primary monetary issue.

The practice of basing oil prices in dollars will probably continue to prove superior to SDR pricing, from the OPEC point of view. Whenever the dollar weakens against other major currencies, however, the issue will reappear.

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MAJOR FOREIGN INDUSTRIAL COUNTRIES: RECOVERY WEAKENS

The economic recovery in the Big Six foreign industrial economies—Japan, West Germany, France, the United Kingdom, Italy, and Canada—has lost steam in recent months. Nearly all indicators show practically no real growth in the Six since the first quarter of this year, with unemployment up by more than 10 percent. The only favorable trend has been a substantial slowdown in inflation.

As a result of these lackluster production trends, expectations for Big Six real growth in 1977-78 have been revised downward in recent months; most of the resulting cuts in growth forecasts have been made for 1977, rather than for 1978. For example, Chase Econometric last

group. The nations are Australia, Austria, Belgium, Canada, Denmark, France, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States, and West Germany. These countries supply more than 80 percent of OPEC imports.

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Big Six: Comparisons of Mid-1977 Forecasts for 1977-78 Real GNP Growth With Recent Forecasts

	Percent			
	Forecasts for 1977		Forecasts for 1978	
	Chase Econometric Associates, Inc.			
	May ¹	October	May	October
Japan	6.2	5.8	5.5	4.8
West Germany	4.6	3.0	3.6	3.5
France	3.5	2.0	3.4	3.3
United Kingdom	1.4	0.5	0.6	3.4
Italy	3.6	2.9	2.4	2.5
Canada	3.7	1.9	3.6	3.4
Weighted average	4.3	3.2	3.6	3.7
	Organization for Economic Cooperation and Development			
	June	November	June	November
Japan	5.5	5.9	NA (6.0) ²	5.2 (5.6) ²
West Germany	4.0	3.1	NA (3.7)	3.1 (3.2)
France	3.0	3.0	NA (3.0)	3.2 (2.9)
United Kingdom	1.0	0.2	NA (1.9)	2.7 (2.7)
Italy	2.2	1.8	NA (0.5)	1.1 (0.5)
Canada	3.0	2.2	NA (3.9)	3.3 (3.9)
Weighted average	3.6	3.3	NA (3.7)	3.5 (3.0)
	Data Resources, Inc.			
	May	October	May	October
Japan	5.6	5.5	5.8	5.5
West Germany	5.0	3.4	4.9	4.9
France	3.7	3.1	5.4	4.6
United Kingdom	1.5	0.3	2.3	3.9
Italy	1.9	2.1	2.3	3.0
Canada	3.3	2.1	4.3	4.6
Weighted average	4.1	3.3	4.6	4.7
	CIA			
	August	October	August	October
Japan	5.7	5.7	5.7	5.7
West Germany	4.0	3.0	4.4	4.0
France	3.7	3.3	3.9	4.5
United Kingdom	0.9	0.5	2.2	2.5
Italy	2.4	0.5	2.7	2.5
Canada	3.5	2.1	4.6	4.0
Weighted average	3.9	3.5	4.3	4.5

¹ Months indicate the date of the forecast.² Figures within parenthesis refer to growth in first half 1978 over first half 1977 at an annual rate.

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month cut its forecast for Big Six real growth in 1977 to 3.2 percent, compared with its 4.3-percent estimate last May. Forecasts by OECD, Data Resources, and CIA have been similarly reduced.

Output and Unemployment

Seasonally adjusted industrial production in the Six as a group declined by more than 3 percent from last March through September, with variations among individual countries:

- Italian industrial production plummeted to 12 percent below its December 1976 peak, even with a 6-percent rebound in September.
- Production in West Germany, France, and the United Kingdom dropped to a September output level 2 to 4 percent below that in March.
- Japan and Canada managed to hold their industrial production about even.

The slowdown in production has compounded the severe unemployment problems that the Six faced last year. Even when production was growing in 1976, unemployment was only holding steady. This year unemployment rates have skyrocketed. Within the Six (excluding Italy, for which data are unavailable), 5.7 million persons were jobless in September, up from 5.1 million last January. Unemployment has worsened unevenly among the Six.

- France and Canada, the unluckiest of the group, have seen their unemployment rates increase this year by 25 percent and 15 percent respectively.
- Joblessness in Japan and the United Kingdom has grown to about 10 percent above January levels, despite a sharp improvement in Japan's unemployment in August.
- Unemployment in West Germany has crept up steadily but very slowly, to a level 2 percent higher than last January.
- In Italy, where a major revision in unemployment statistics is under way, joblessness has increased substantially since the beginning of the year.

Real Import Trends

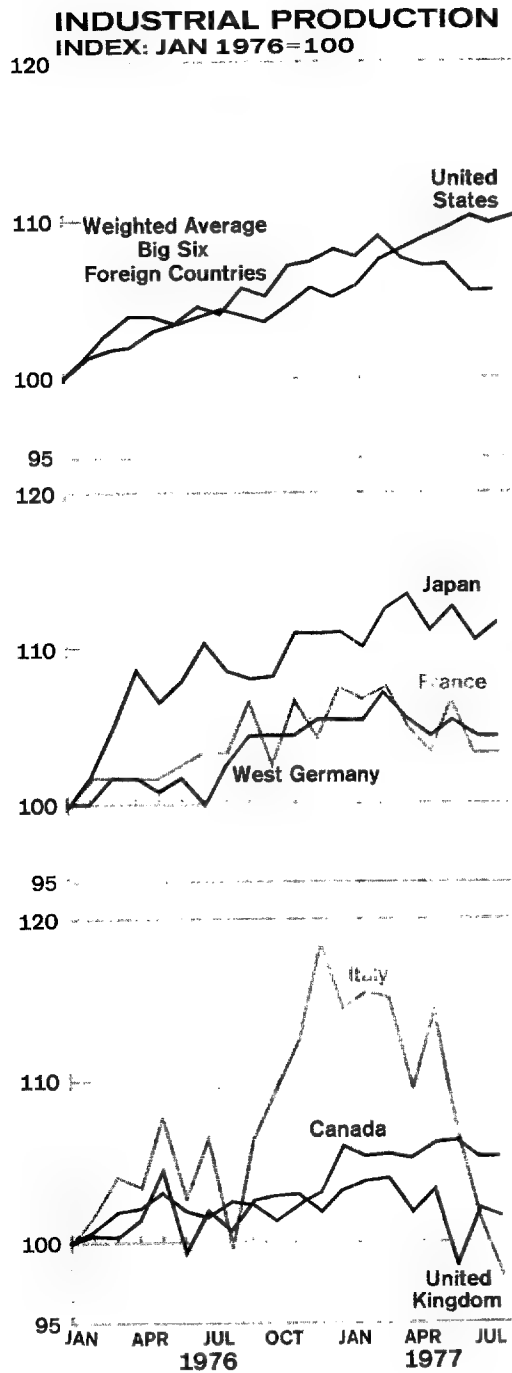
The real value of imports by the Six as a group fell about 4 percent from fourth quarter 1976 through third quarter 1977, even though the decline bottomed out in the third quarter. In the real value of US imports increased by 8 percent from fourth quarter 1976 through

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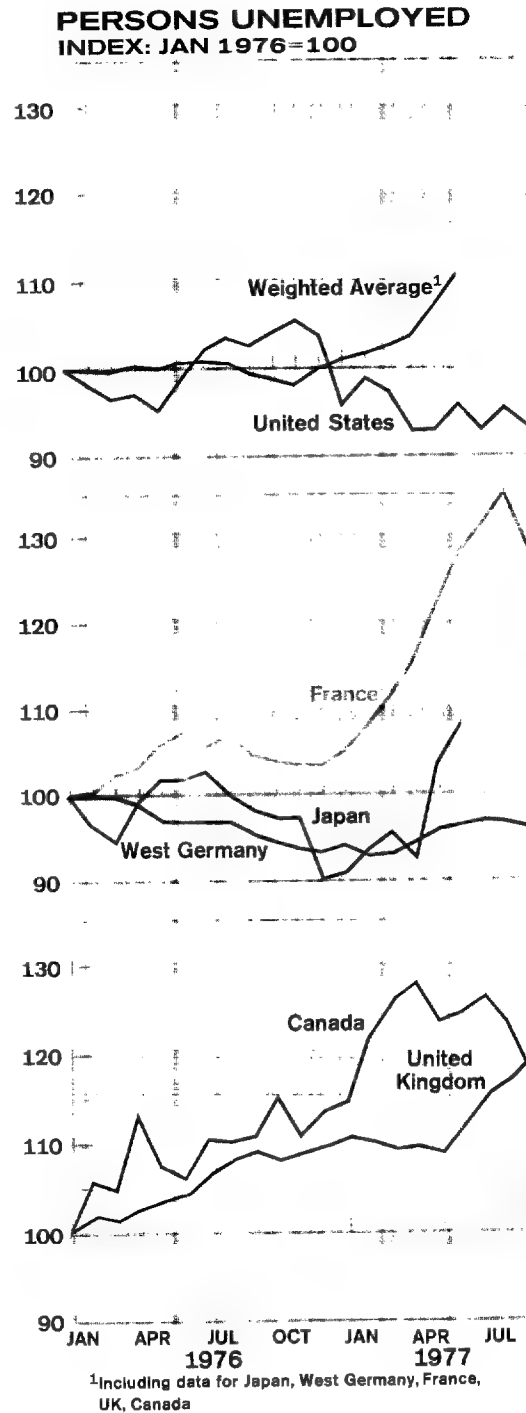
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third quarter 1977. Among the Six, Italy experienced the largest decline in imports—a 16-percent drop from fourth quarter 1976 through third quarter 1977. Only West German imports increased this year through the third quarter.

Consumer Price Trends

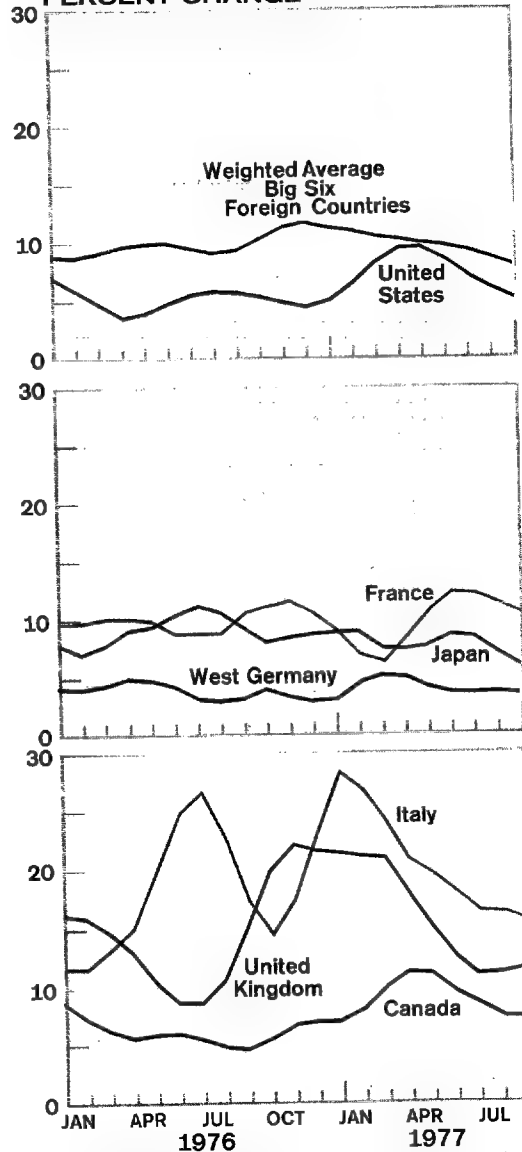
The brightest economic trend in the Six has been a substantial reduction in inflation. The Six as a group saw their seasonally adjusted index of consumer prices increase at an annual rate of nearly 12 percent in fourth quarter 1976. In contrast, in third quarter 1977, inflation was less than 9 percent.

Among the Six, Britain and Italy recorded the largest drops in inflation. British inflation, hitting at a 22-percent rate late last year, declined to 11 percent in the third quarter. Italian inflation subsided to an October pace of about 12 percent, compared with a 28-percent rate in fourth quarter 1976.* In contrast, inflation in France has gone back up after a dip in early 1977, and inflation in Canada is now more rapid than in late 1976. Only Japan and West Germany have brought their inflation rates down to pre-1973 norms.

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*To smooth out single-month fluctuations in consumer price changes, we define the annual rate of inflation as a moving quarter-to-quarter change. For example, an October rate is the percent change in the average seasonally adjusted consumer price index for August-October, relative to the same measure for May-July, expressed as an annual rate.

CONSUMER PRICES: INFLATION¹ PERCENT CHANGE



¹Average for three months ending in month indicated over that for three preceding months, seasonally adjusted, at annual rate

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THE SOVIET ECONOMY IN 1977: FEW BRIGHT SPOTS

The Soviet economy remains bedeviled in 1977 by low productivity, declining resource growth, and fickle harvests. Unless the leadership can make progress in these areas next year, the 4-percent average growth projected by OER for the balance of the 1970s will prove difficult to achieve.

We estimate Soviet GNP will rise by 3 percent in 1977, down from the 4.2 percent registered last year and far from the 5-percent average annual target for 1976-80. Agricultural growth has been stunted by the disappointing grain harvest this year, which means continued large outlays for foreign grain. Industrial growth, less than 5 percent for the second consecutive year, is still hobbled by lagging output of industrial materials, notably steel and electric power. Investment plans continue to be frustrated by slowed-down growth in machinery output and lags in bringing new capacity on stream. Fuel shortages have multiplied and are hampering a number of industrial and agricultural operations. The sole positive note is a \$1.5 billion to \$2 billion reduction in the hard currency trade deficit.

Agriculture Fails To Meet Needs

The Soviet farm sector remains at the mercy of the weather. The decline in projected farm output stems from a 5-percent decline in crop production, which will more than offset a 3-percent increase expected in livestock products. The major element in the crop downturn is the grain harvest announced by Brezhnev at 194 million tons—13 percent below last year's record and 9 percent below plan. Production of major nongrain crops will remain close to last year's levels.

Estimated grain purchases of 18 million to 20 million tons for delivery in the year beginning 1 July 1977 should fill the gap between grain output and the currently planned requirements, including feeding of livestock. Last year meat output and consumption slumped following the poor 1975 harvest, setting back per capita meat consumption almost to the 1970 level. If our estimate of a 7-percent rise in meat output stands up, per capita meat consumption will merely regain the 1972 level. This slow recovery, coupled with an official policy of

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holding state retail prices at current levels, means a continuation of the chronic shortages of meat and dairy products. Indeed, a lecturer in Leningrad recently conceded that meat shortages will continue into the 1980s.

Industry Lacks Basic Inputs

Industrial output should grow by 4.5 percent in 1977, the second slowest growth rate in the postwar era (1976 was the worst) and substantially below the average annual rate of 6 percent achieved in 1971-75. This uninspired performance, the second in a row, reflects stagnation in the output of ferrous metals, which in turn stems from inadequate investment in steelmaking facilities and insufficient supplies of high-quality raw materials. A steady decline in the quality of Soviet iron ore has forced the diversion of investment funds from steelmaking plants to ore mining and ore beneficiating projects. The high growth rates for producer and consumer durables have been declining steadily since 1973 and may fall even further this year given the problems in producing ferrous metals.

Energy-producing branches also have experienced declining rates of growth this year. The increase in electric power has fallen to an unprecedented low of 3.6 percent. Growth rates of petroleum products and natural gas, while reasonably close to the current plan, were running behind last year's rates for the first three quarters. Fuel shortages this year have been widespread, frequent, and severe. Several ministries have reported a general fuel shortage, and some temporary bottlenecks have been reported. Recognizing that energy resources must be conserved, Moscow has initiated a stringent fuel allocation program. Instead of setting annual targets for energy use, the Council of Ministers has established norms by quarterly periods and has tasked the People's Control Committee to conduct an energy use census this year, reporting abuses and steps taken to correct them.

Capital Formation Still Behind Schedule

Problems in investment programs are a harbinger of a continued poor growth performance. Despite efforts to concentrate investment on renovation of existing assets and completion of projects already begun, the increase in gross additions of new plant and equipment—a measure of the amount of new capacity brought on stream—fell to an alltime low of 1.4 percent in 1976, with the backlog of unfinished construction increased by nearly 10 percent. No effective actions have been taken to step up the pace of capital formation. While firm data for 1977 are lacking, the Soviet press indicates that unfinished projects have continued to plague all sectors this year, mainly because of slow procurement and installation of equipment. A continuation of the slide in machinery growth could dash the leadership's

Foreign Trade Deficit Brought Down

This year Moscow has been partially successful in implementing measures begun in 1976 to reduce the hard currency deficit. The improved position is being achieved by expanding hard currency exports and by trimming imports—particularly grain.

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Export earnings in 1977 should rise from \$10 billion to \$11 billion-\$11.5 billion. Most of the boost will come from higher prices for raw materials, not from increased deliveries of oil as in 1976. The Soviets also are cutting hard currency imports in 1977 by about \$500 million, to roughly \$15 billion. Lower imports of grain this year—most of this year's purchases will be delivered next year—will more than offset a rise in machinery and equipment imports. In an effort to reduce future imports of Western machinery and equipment, Moscow has cut orders in the first eight months of 1977 to less than one-half the level of the comparable 1976 period. Soviet imports of Western machinery thus should fall in 1978.

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USSR: REDUCING HARD CURRENCY OUTLAYS

The USSR is continuing belt-tightening measures adopted in 1976 to reduce its hard currency trade deficit and minimize hard currency outlays. Moscow has sought to delay payments on some purchases and has requested financing on deals normally handled on a cash basis. The Soviet Union also has continued to rely on government-backed suppliers' credits and direct government loans, which offer fixed and generally lower interest rates, and has cut back on the more costly syndicated loans from Western banks. A harbinger for 1978 is the reduction so far this year of Soviet orders for Western machinery and equipment—which, if continued, will result in a decline in such imports.

Trade with the West

The hard currency trade deficit this year should fall to between \$3.5 billion and \$4 billion, down from \$5.5 billion in 1976 and the record \$6.4 billion of 1975. Hard currency exports are expected to rise 10 to 15 percent with imports falling slightly.

Soviet grain imports from the West will decline from \$2.6 billion in 1976 to about \$1.5 billion in 1977 unless Moscow moves some grain deliveries up from 1978. The drop in grain imports should be partly offset by a substantial increase in machinery and equipment imports over the \$5.1 billion figure of last year.

Soviet oil deliveries to the West, which accounted for three-fourths of the increase in hard currency exports in 1976, are not playing the same leading role in 1977. So far this year, West Germany, France, Japan, and the UK are taking less oil than in 1976; Italy and some smaller West European customers are taking more. Although no substantial change in volume

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is expected this year, Soviet earnings from oil in 1977 will benefit from higher prices. Prices are also higher on other Soviet export commodities, such as timber and platinum group metals. In addition, the volume of Soviet gas exports has been rising substantially this year.

Financing the Deficit

As in 1976, the Soviets again have sought to minimize cash outlays by delaying payments to some Western suppliers while asking others for financing on sales that formerly were for cash.

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Moscow has continued to rely primarily on government-backed suppliers' credits and direct government loans—noted for their fixed and often subsidized interest rates—for most of the estimated \$3.5 billion in new drawings needed to finance machinery, equipment, and pipe imports from the West in 1977. The fluctuating interest rates on new syndicated credits from Western banks apparently were higher than the Soviets were willing to pay, thereby reducing Moscow's use of such facilities. Gold sales of \$500 million through midyear have also helped Moscow finance its deficit this year.

Outlook for 1978

The Soviet hard currency trade deficit should be further reduced in 1978. Imports of Western grain are likely to be about \$2 billion. This figure could climb higher, however, if the Soviet harvest fails to better this year's disappointing results.

The drop in orders placed in the West for machinery and equipment this year portends a decline in machinery imports which should more than offset any conceivable rise in grain imports. Orders in the first eight months of 1977 totaled roughly \$2 billion—less than one-half the level for the comparable period in 1976.

The sharp drop in orders largely stems from a \$1 billion cut in Soviet contracts for oil and gas equipment. Nearly \$1 billion in orders for the Orenburg gas pipeline swelled the 1976 total; this year no comparable contracts have been signed. Large contracts for oil and gas equipment could be concluded by yearend, however, if Moscow places orders for \$1 billion worth of gas lift equipment it is seeking from the West.

Hard currency exports in 1978 are expected to grow at least as much as this year, particularly if economic growth in the West accelerates. Exports of natural gas and chemicals under compensation agreements are also scheduled to increase.

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A major unknown is how much oil the Soviets will allocate for hard currency export. An OPEC price increase of 5 to 10 percent would yield the USSR an additional \$250 million to \$500 million in oil revenues at the 1976 export level of 1 million barrels per day. This would boost oil earnings to more than \$5 billion.

Financing should not be a major problem next year, especially if Moscow succeeds in further reducing its trade deficit. The credits the Soviets have lined up in recent months will allow Moscow to continue to draw on government-backed credits to finance equipment imports.

Moscow's tough stand during credit negotiations, coupled with concern of Western governments over the sharp drop in Soviet machinery and equipment orders, have been effective in obtaining a continuation of liberal credit terms from several Western countries. The terms in many cases have not been in line with those of the Gentlemen's Agreement, a consensus that covers official export credits of major Western countries.

Barring a drastic drop in price, Soviet gold sales should fortify Moscow's ability to abstain from private loan syndications.

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Notes

Common Fund Negotiations Bogged Down

Little progress has been made in bridging the gap between developing and industrialized countries' positions during the first half of the month-long common fund negotiations now under way in Geneva.* We expect the LDC caucus (known as the Group of 77 or G-77) to keep pushing for acceptance of its version of the common fund without offering compromises. Indeed, the unwieldy nature of the LDC caucus and the premium placed on group unity preclude significant shifts in position. If the talks follow the pattern of previous North-South negotiations, they will extend beyond the scheduled 2 December closing. In any event, some sort of concluding conference statement will probably be hammered out in the middle of the night by exhausted negotiators; the statement would call for a new round of negotiations next year.

25 November 1977

SECRET

27

25X1

SECRET

Thus far, the industrial countries have resisted G-77 pressure to abandon their joint opening proposal, which (a) looked to common fund finance based on pooled resources from individual commodity agreements and (b) sought to defer discussion of a "second window" for various forms of development aid to the LDCs. Although the Netherlands and Denmark are pushing within the EC for fundamental changes in the joint proposal, the EC as a group seems only to have slightly softened its position, for example, by being willing to consider *voluntary* contributions to a second window. Conscious of G-77 efforts to undermine the unity of the industrialized countries, the EC decided not to formally schedule the common fund negotiations on the agenda of its Foreign Ministers meeting this past Monday and Tuesday.

The LDCs, as expected, have been inflexible publicly. Their statements—particularly last Friday's condemnation of the industrialized country position—have been aimed at convincing the developed nations that they have no option but to begin bargaining on a version of the common fund that includes prior, direct financing and a second window. LDC tactics have focused on splitting the Dutch and the Nordics away from the opening industrialized country position, rather than devising constructive counterproposals. At the same time, individual LDC representatives have hinted privately [redacted] the G-77 can be flexible. At this point, we do not anticipate a shift in the G-77 stance during the current negotiations, even if the industrialized countries make major concessions. The most that can be expected are G-77 statements welcoming any industrialized country concessions but without offering compromises in the LDC position. [redacted]

25X1

25X1

Mexico: Economic Cabinet Shake Up

Mexican President Lopez Portillo has replaced his two principal economic cabinet ministers—Secretary of Finance Julio Moctezuma and Secretary of Programming and Budget Carlos Tello. The move, which came just one month before the completion of the 1978 budget, probably will have no major impact on economic policy since Lopez Portillo seems to rely more on private economic advisers Rafael Izquierdo and Jose Antonio Ugarte than on his ministers. Because Moctezuma's and Tello's replacements apparently do not have the customary close personal ties to the President, Izquierdo and Ugarte probably will become even more influential.

Policy differences and personal conflicts between the two ex-ministers hampered coordination of economic policy. Since Lopez Portillo took office a year ago, his economic cabinet reportedly has been divided into two factions—the fiscal conservatives led by Moctezuma and the spenders led by Tello.

David Ibarra, the new Secretary of Finance, and Ricardo Garcia Sainz, the new Secretary of Programming and Budget, are well qualified and much more conservative than Tello. Their appointment should create greater harmony between the two economic ministries and help boost private sector confidence in government policies. [redacted]

25X1

SECRET

South Korea: Foreign Exchange Inflows Curbed

Reacting to the inflationary pressures from growing foreign exchange reserves, Seoul has adopted stopgap measures to slow foreign exchange inflows. The government has:

- Banned until yearend the conversion into local currency of (a) foreign exchange earnings from overseas construction work and other services and (b) advance export proceeds.
- Cut preferential loans to exporters from 420 to 380 won per dollar of export.
- Abolished foreign currency loans for the import of certain essential raw materials.

South Korean foreign exchange reserves have risen from less than \$3 billion at yearend 1976 to \$4.3 billion at the end of October. The gains have resulted from rapid export growth and increased earnings from Middle East construction work. Earnings from overseas construction activity totaled \$560 million in first half 1977 compared with \$63 million a year earlier.

The increase in foreign exchange reserves has been accompanied by a 32-percent increase in the money supply since last December. Seoul has resorted to tight monetary and fiscal policies, limits on domestic credit, and price controls on most manufactured goods to hold inflation to about 10 percent. The most recent measures will temporarily moderate the inflow of foreign exchange while slowing economic growth and exports. Nonetheless, Seoul should approach its 10 percent real GNP growth target and reach \$10 billion in exports this year.

[REDACTED]

East Germany Inks Big Deals with Japan

The East German campaign to increase hard currency receipts reached its highest point last week with the signing of two agreements with Japan. The Japanese will build and finance a petrochemical complex and a tourist hotel in East Germany. The factory complex agreement, reportedly valued at \$350 million to \$500 million, includes a high proportion of compensation/buyback, while the hotel contract, the value of which has not been announced, involves guaranteed occupancy by Japanese tourists. Party Chairman Honecker supports these kinds of projects as an alternative to cutting back on imports of Western consumer goods. [REDACTED]

USSR Tries To Control Japanese Trans-Siberian Landbridge Cargoes

The USSR's freight forwarding monopoly, Soyuzvneshttrans, and three Japanese freight forwarding firms have asked for permission to establish a corporation to be known as the

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SECRET

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SECRET

Nippon-Soviet International Transport Company (NISOTRA). This firm would give the USSR closer control over containerized cargoes moving over the Trans-Siberian Landbridge (TSLB) between Japan, Iran, and Europe. The merger is opposed by the Japanese Shipowners Association (JSA) as injurious to shipping and by the Foreign Ministry as damaging to national security. The Japanese backers of NISOTRA say that it would (a) help restore some of the competitiveness lost from the rise in Japanese costs and the appreciation of the yen and (b) open new markets for Japanese goods. The Ministry of Transport, which must approve the merger, will act cautiously, aware that Soviet joint venture firms in Europe have moved into shipping agencies, cargo forwarding, container leasing, trucking, port cargo handling, and warehousing.

25X1

Secret

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**National
Foreign
Assessment
Center**

Approved For Release 2004/07/16 : CIA-RDP79B00457A000300060001-4

Economic Indicators Weekly Review

25 November 1977

ER EI 77-047

Approved For Release 2004/07/16 : CIA-RDP79B00457A000300060001-4

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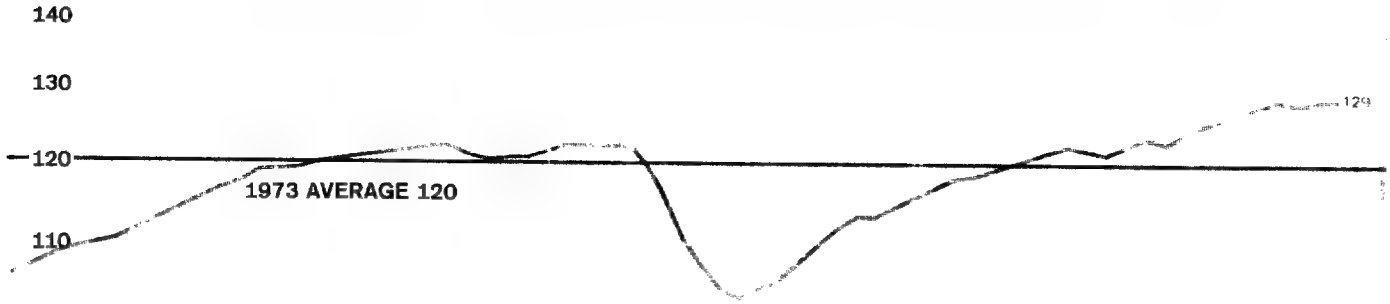
FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 20 October 1977. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

United States

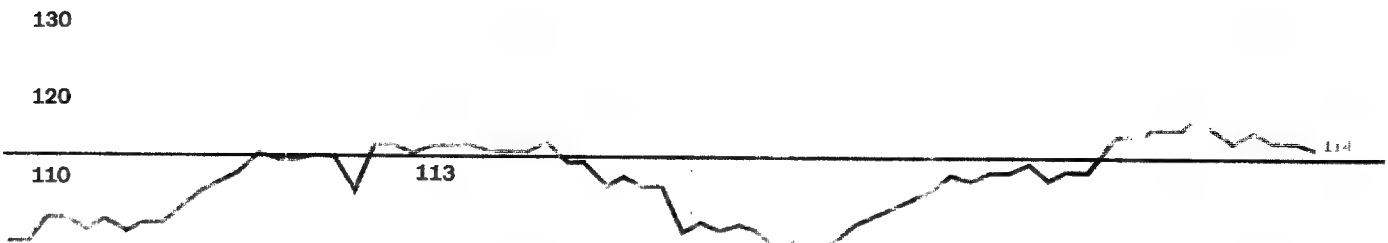
Semilogarithmic Scale



Japan



West Germany



France



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1972 1973 1974 1975 1976 1977

Semilogarithmic Scale

United Kingdom**Italy****Canada**

JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1972 1973 1974 1975 1976 1977

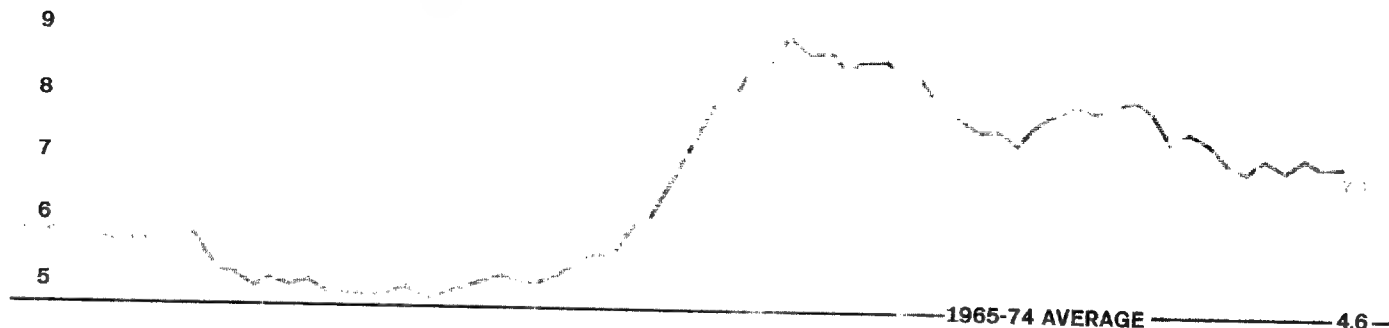
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier ¹				1970	1 Year Earlier	3 Months Earlier ¹
United States	OCT 77	0.3	3.6	6.7	2.4	United Kingdom	SEP 77	-0.6	0.4	-1.7	0.6
Japan	SEP 77	-0.1	3.7	3.3	-4.0	Italy	SEP 77	6.5	2.4	-2.2	29.1
West Germany	SEP 77	-0.9	1.8	-0.9	-3.4	Canada	AUG 77	0	3.9	2.7	0.3
France	SEP 77	1.6	3.3	1.6	4.2						

¹Average for latest 3 months compared with average for previous 3 months.

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UNEMPLOYMENT **PERCENT OF LABOR FORCE**

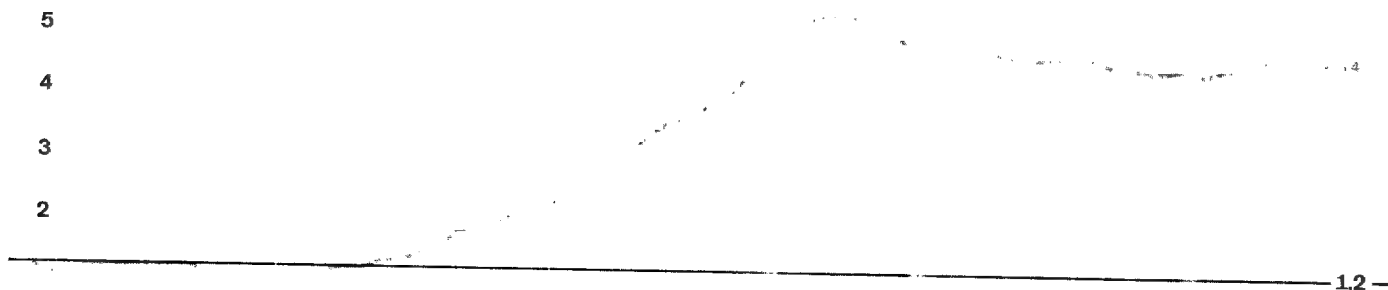
United States



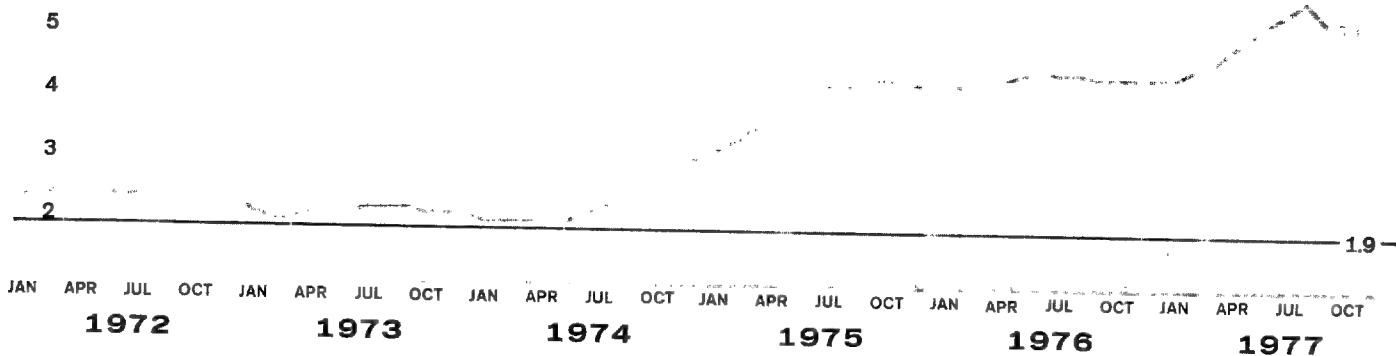
Japan

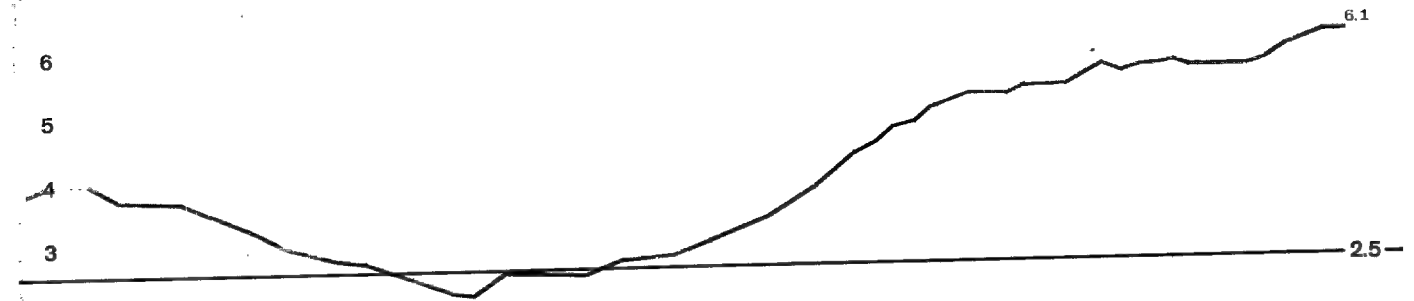


West Germany

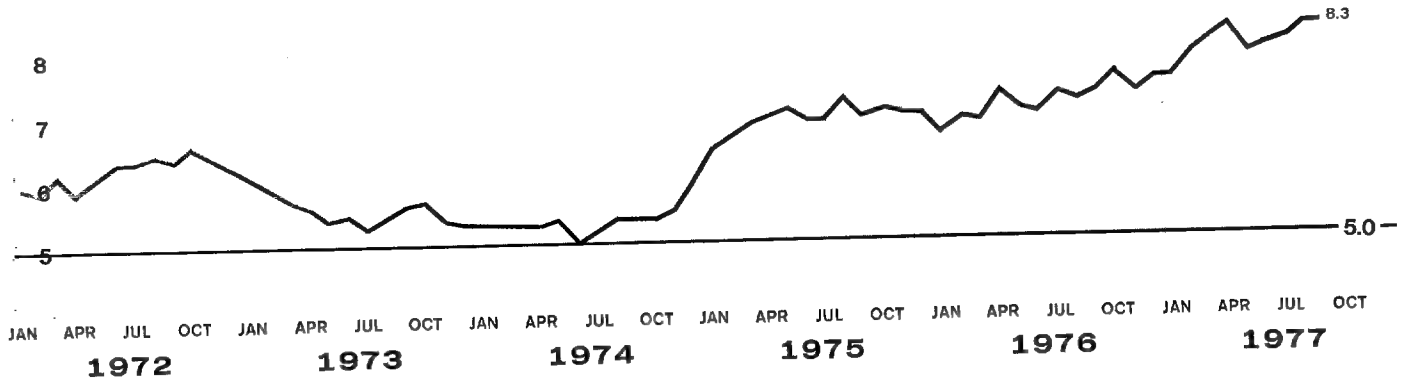


France



United Kingdom**Italy (quarterly)**

A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable.
 Italian data are not seasonally adjusted.

Canada**THOUSANDS OF PERSONS UNEMPLOYED**

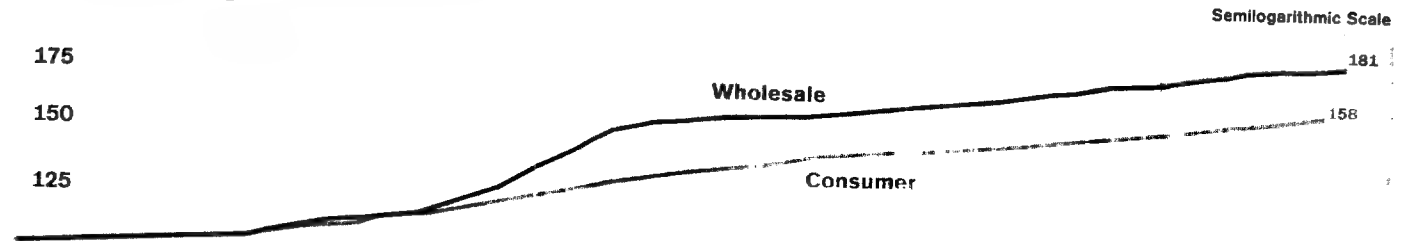
		LATEST MONTH	1 Year Earlier	3 Months Earlier		LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	OCT 77	6,872	7,564	6,744	United Kingdom	OCT 77	1,433	1,308
Japan	AUG 77	1,130	1,100	1,140	Italy	77 III	1,692	776
West Germany	OCT 77	1,041	1,026	1,051	Canada	SEP 77	798	753
France	SEP 77	1,159	941	1,150				

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

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DOMESTIC PRICES¹ INDEX: 1970=100

United States



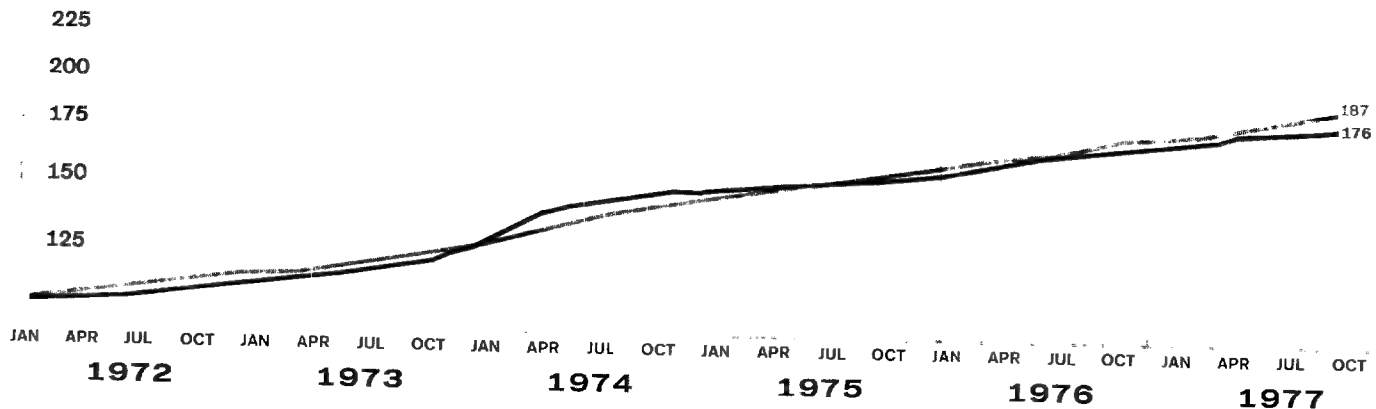
Japan



West Germany



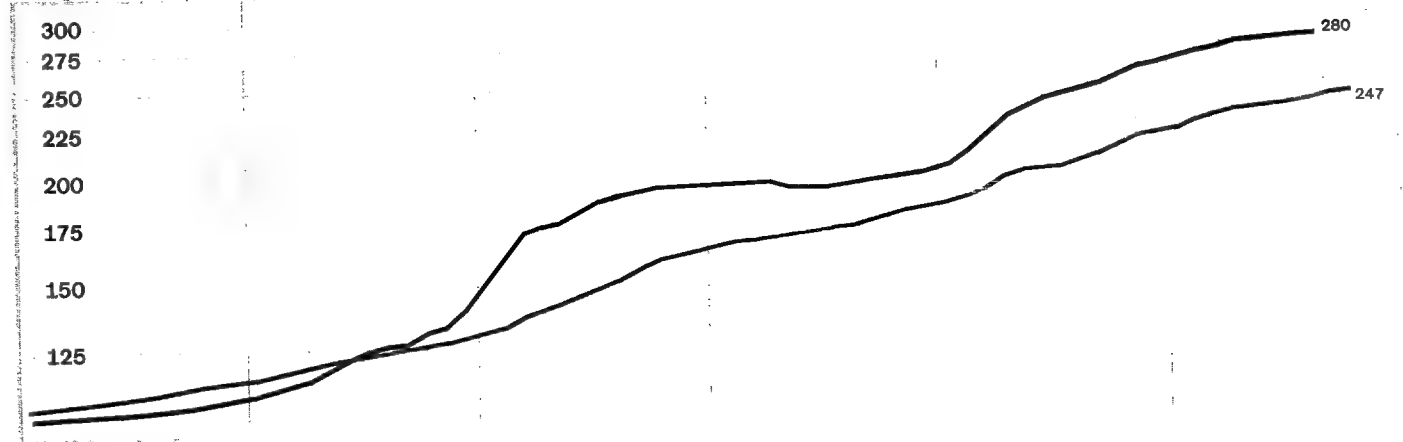
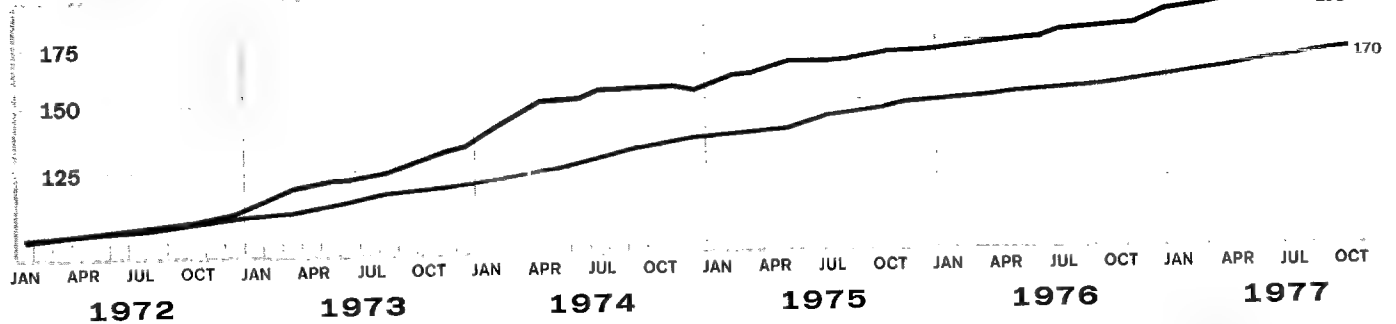
France



¹Wholesale price indexes cover industrial goods.

United Kingdom

Semilogarithmic Scale

**Italy****Canada**

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier				1970	1 Year Earlier	3 Months Earlier
United States	OCT 77	0.7	8.5	6.9	6.9	United Kingdom	OCT 77	0.6	14.6	17.8	7.9
	SEP 77	0.4	6.6	6.6	4.9		SEP 77	0.5	13.8	15.6	4.4
Japan	OCT 77	-0.3	7.4	0.1	0	Italy	AUG 77	0.5	15.6	14.3	4.6
	SEP 77	1.8	10.5	7.6	6.2		OCT 77	1.1	13.2	16.6	11.9
West Germany	SEP 77	-0.1	5.1	1.6	-0.6	Canada	AUG 77	0.4	10.1	9.8	7.9
	OCT 77	0.1	5.4	3.8	-0.3		OCT 77	1.0	7.5	8.8	8.1
France	SEP 77	0.6	8.2	6.1	5.4						
	SEP 77	0.9	9.0	9.6	9.5						

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GNP ¹

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Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 III	0.9	3.2	4.6	3.8
Japan	77 II	1.9	5.6	5.6	7.6
West Germany	77 II	-0.2	6.3	2.4	-1.0
France	76 IV	0	3.9	4.9	0
United Kingdom	77 I	-1.9	1.6	-1.3	-7.5
Italy	77 I	2.3	3.2	4.9	9.4
Canada	77 II	-0.6	4.9	0.5	-2.4

¹ Seasonally adjusted.

RETAIL SALES ¹
Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Sep 77	-1.4	2.9	4.2	-0.6
Japan	Jun 77	-0.1	9.8	2.6	1.4
West Germany	Sep 77	-0.8	2.4	2.6	10.8
France	Jun 77	7.7	-0.3	1.0	-8.1
United Kingdom	Oct 77	-0.2	0.9	-1.9	5.4
Italy	Apr 77	-0.4	2.8	1.0	-3.1
Canada	Aug 77	4.7	4.5	1.3	-0.5

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT ¹
Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 III	1.0	2.1	7.8	4.2
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	77 II	-1.6	0.4	3.4	-6.4
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 I	-0.6	0	3.4	-2.5
Italy	77 I	6.6	3.9	17.6	29.0
Canada	77 II	6.1	3.2	-1.1	26.7

¹ Seasonally adjusted.

WAGES IN MANUFACTURING ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Sep 77	0.4	7.5	6.6	6.5
Japan	Aug 77	2.2	17.0	9.8	8.7
West Germany	77 II	1.7	9.5	7.5	7.2
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Aug 77	0	15.3	3.0	3.5
Italy	Aug 77	3.7	21.0	23.8	23.7
Canada	Aug 77	0.2	11.2	9.9	9.0

¹ Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

² Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

Representative rates		Latest Date	Percent Rate of Interest			
			1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Commerical paper	Nov 16	6.56	5.13	5.89	6.59
Japan	Call money	Nov 18	4.50	6.75	5.75	4.88
West Germany	Interbank loans (3 months)	Nov 16	4.06	4.60	4.06	4.10
France	Call money	Nov 18	9.13	10.31	8.25	8.38
United Kingdom	Sterling interbank loans (3 months)	Nov 16	4.76	14.59	6.60	4.85
Canada	Finance paper	Nov 16	7.39	9.38	7.47	7.24
Eurodollars	Three-month deposits	Nov 16	7.09	5.41	6.36	7.30

EXPORT PRICES

US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Sep 77	0.6	9.4	3.0	-0.8
Japan	Jul 77	-1.8	10.4	10.4	-4.4
West Germany	Sep 77	-1.5	11.0	6.2	3.6
France	Sep 77	-1.4	11.2	8.3	12.1
United Kingdom	Oct 77	1.9	11.1	23.2	26.1
Italy	Jul 77	1.7	11.3	13.3	18.9
Canada	Aug 77	3.5	9.9	1.5	17.4

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National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Sep 77	0.6	9.4	3.0	-0.8
Japan	Jul 77	-1.0	6.3	3.1	-5.3
West Germany	Sep 77	-1.2	4.2	-1.2	-2.3
France	Sep 77	-0.9	9.4	8.5	10.1
United Kingdom	Oct 77	0.4	15.9	14.3	13.6
Italy	Jul 77	1.4	16.9	19.4	16.4
Canada	Aug 77	4.4	10.2	10.2	27.3

IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Sep 77	0	13.2	8.1	7.2
Japan	Jul 77	-1.5	10.5	-2.3	7.0
West Germany	Sep 77	-2.3	4.0	-1.3	-5.5
France	Sep 77	-1.0	10.1	7.4	0.6
United Kingdom	Oct 77	-0.4	18.7	8.3	-6.3
Italy	Jul 77	-1.6	20.7	15.3	10.4
Canada	Aug 77	3.2	9.3	15.5	31.3

OFFICIAL RESERVES

Billion US \$

	Latest Month	End of	Billion US \$	Jun 1970	1 Year Earlier	3 Months Earlier
United States	Aug 77		19.1	14.5	18.6	19.2
Japan	Oct 77		19.6	4.1	16.6	17.6
West Germany	Sep 77		34.5	8.8	35.0	34.3
France	Sep 77		10.0	4.4	9.4	10.2
United Kingdom	Oct 77		20.2	2.8	4.8	13.4
Italy	Sep 77		10.5	4.7	5.1	9.7
Canada	Aug 77		4.8	4.3	5.6	5.2

CURRENT ACCOUNT BALANCE ¹

Cumulative (Million US \$)

	Latest Period	Million US \$	Cumulative (Million US \$)		
			1977	1976	Change
United States ²	77 II	-4,605	-8,763	1,070	-9,833
Japan	Sep 77	1,142	6,473	1,815	4,658
West Germany	Sep 77	-673	119	956	-837
France	77 II	-438	-2,101	-2,052	-50
United Kingdom	77 II	-474	-1,490	-1,277	-213
Italy	77 I	-929	-929	-1,468	539
Canada	77 II	-1,412	-2,229	-3,088	859

¹ Converted to US dollars at the current market rates of exchange.

² Seasonally adjusted.

BASIC BALANCE ¹

Current and Long-Term-Capital Transactions

Cumulative (Million US \$)

	Latest Period	Million US \$	Cumulative (Million US \$)		
			1977	1976	Change
United States			No longer published ²		
Japan	Sep 77	611	4,398	1,732	2,666
West Germany	Sep 77	-1,341	-4,642	1,655	-6,297
France	77 I	-1,354	-1,354	-2,015	660
United Kingdom	77 II	1,409	2,075	-1,119	3,195
Italy	76 III	878	N.A.	1,096	N.A.
Canada	77 I	164	164	882	-718

¹ Converted to US dollars at the current market rates of exchange.

² As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate

As of 4 Nov 77

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	11 Nov 77
Japan (yen)	0.0041	8.05	21.03	9.75	1.26
West Germany (Deutsche mark)	0.4461	25.99	7.73	3.84	0.35
France (franc)	0.2061	-6.48	2.65	1.31	0.55
United Kingdom (pound sterling)	1.8240	-25.88	11.73	4.81	0.50
Italy (lira)	0.0011	-35.65	-1.47	0.62	0.09
Canada (dollar)	0.9016	*-9.63	-11.88	-3.03	0.04

TRADE-WEIGHTED EXCHANGE RATES ¹

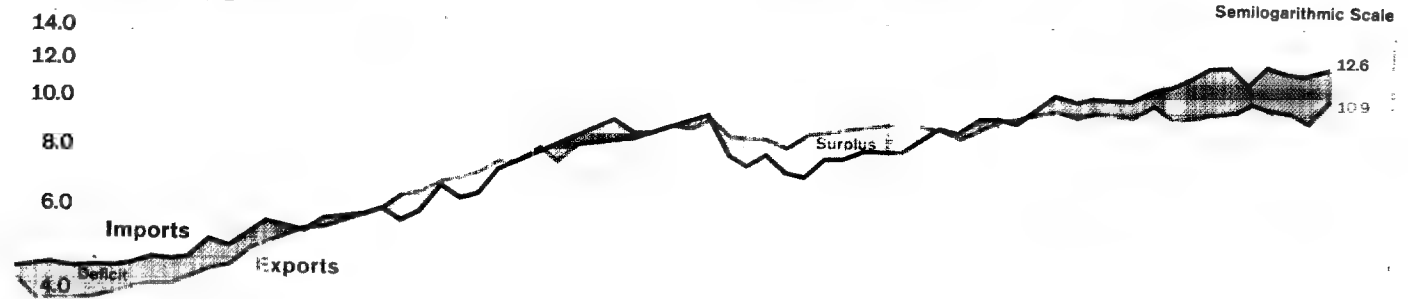
As of 4 Nov 77

	19 Mar 73	Percent Change from			11 Nov 77
		1 Year Earlier	3 Months Earlier		
United States	4.44	-0.40	-1.71		-0.39
Japan	13.92	22.93	9.12		1.18
West Germany	28.38	5.16	2.34		0.07
France	-8.67	-1.16	-1.01		0.31
United Kingdom	-26.94	10.99	3.95		0.28
Italy	-39.57	-5.20	-1.63		-0.23
Canada	-8.46	-13.34	-3.91		-0.07

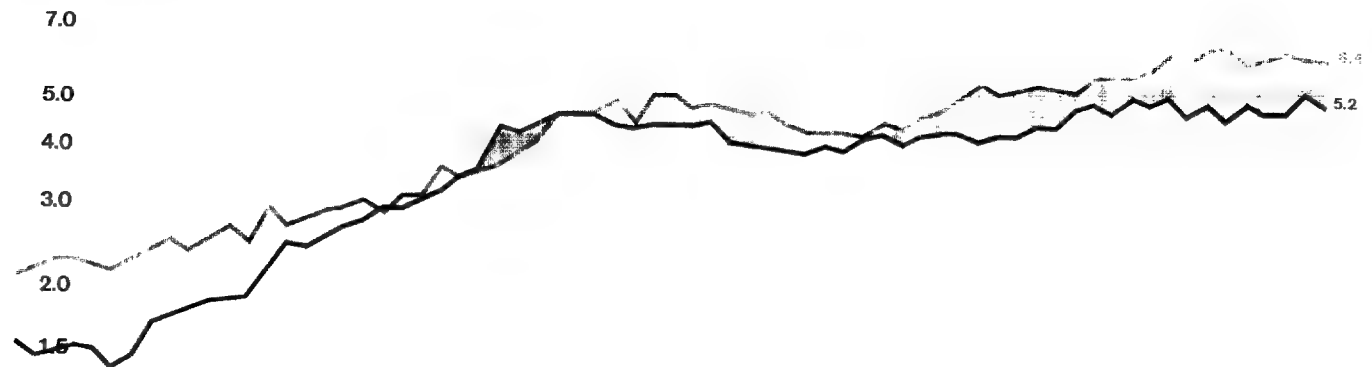
¹ Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

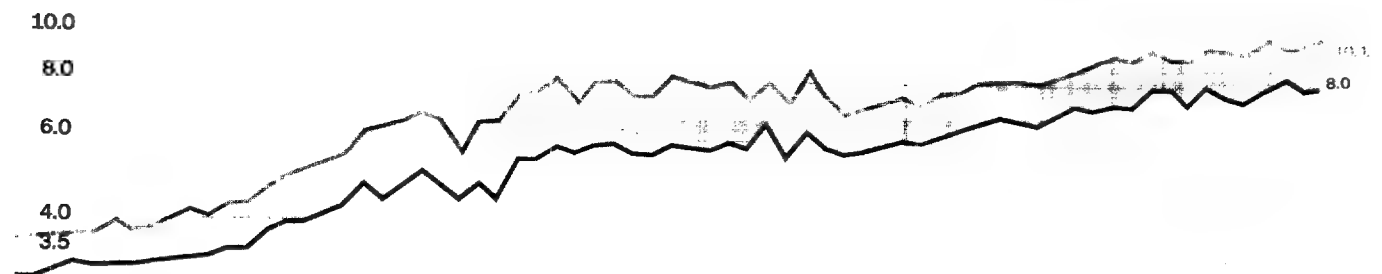
United States



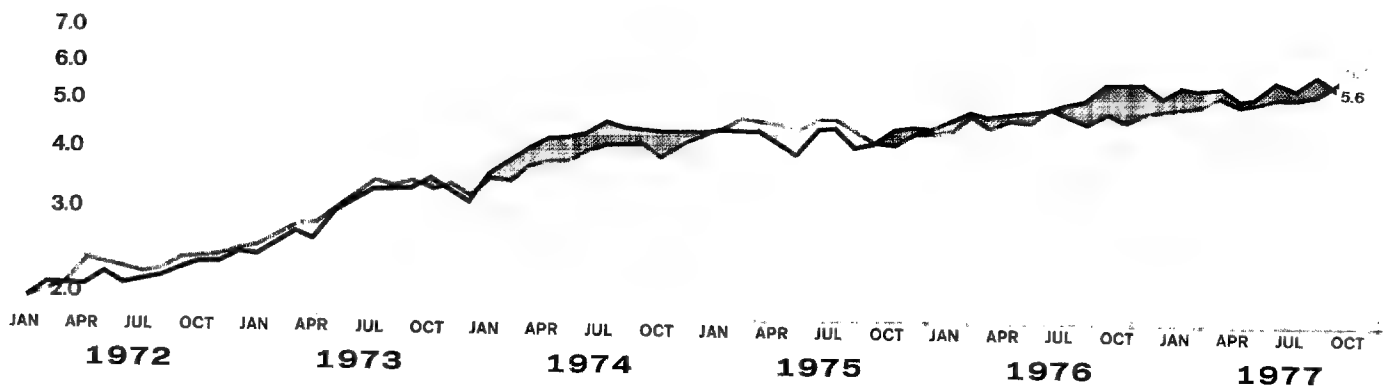
Japan



West Germany

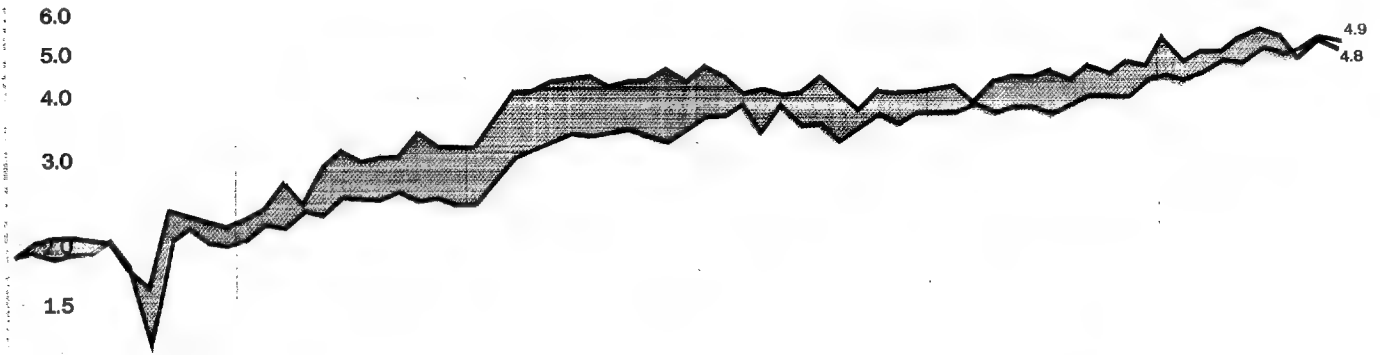


France

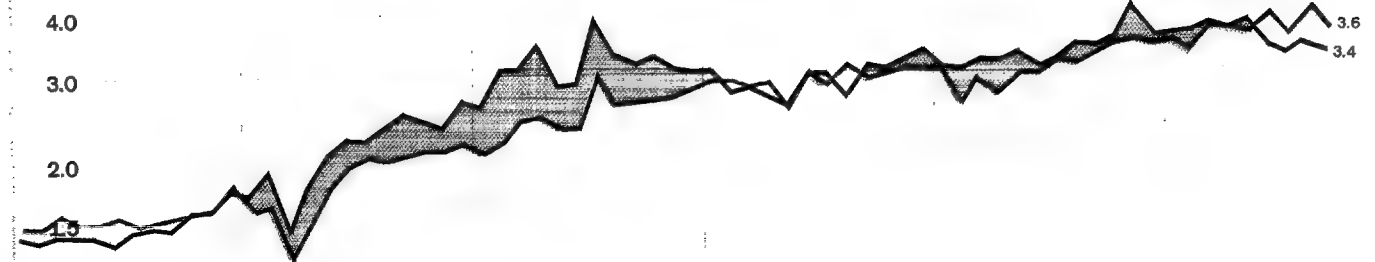


United Kingdom

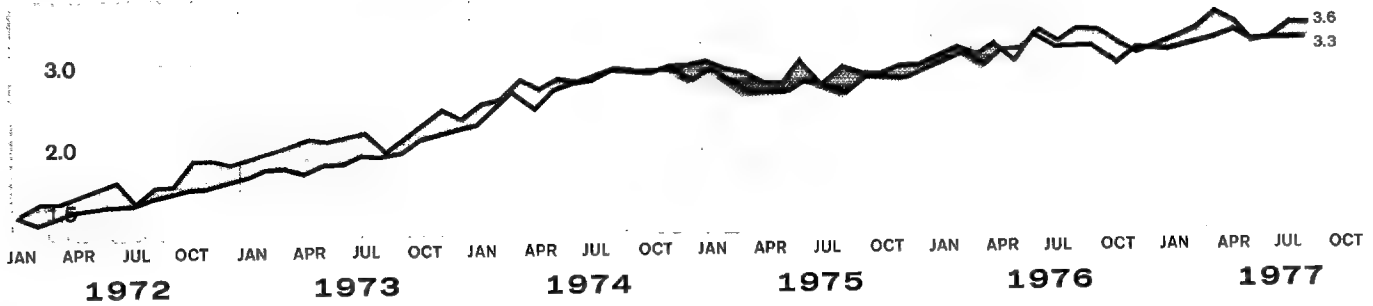
Semilogarithmic Scale



Italy



Canada



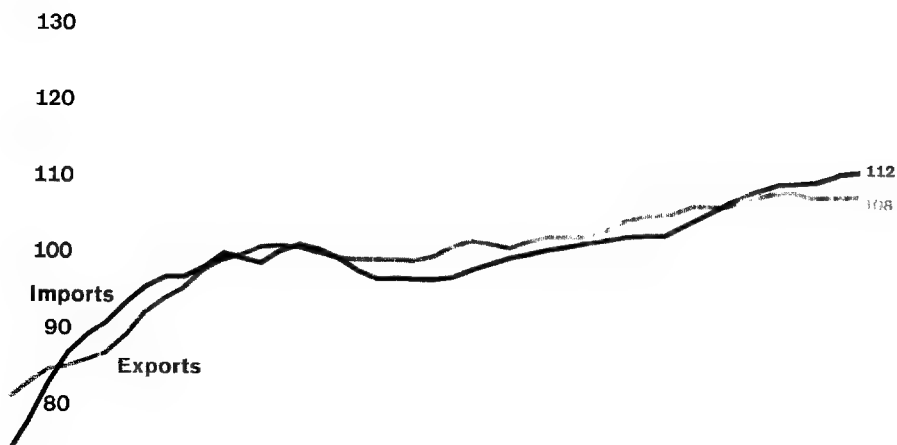
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE
United States	SEP 77	10,916	90,584	85,171	6.4%
		<u>12,631</u>	<u>109,882</u>	<u>88,297</u>	<u>24.4%</u>
	Balance	-1,715	-19,298	3,126	16,172
Japan	SEP 77	6,439	58,430	48,305	21.0%
		<u>5,183</u>	<u>45,838</u>	<u>40,860</u>	<u>12.2%</u>
	Balance	1,256	12,592	7,445	5,147
West Germany	SEP 77	10,061	86,227	73,878	16.7%
		<u>8,023</u>	<u>70,820</u>	<u>60,750</u>	<u>16.6%</u>
	Balance	2,038	15,407	13,129	2,279
France	SEP 77	5,750	47,713	42,307	12.8%
		<u>5,648</u>	<u>49,822</u>	<u>44,537</u>	<u>11.9%</u>
	Balance	102	-2,108	-2,230	122

	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE
United Kingdom	OCT 77	4,894	46,020	36,432	26.3%
		<u>4,839</u>	<u>48,927</u>	<u>41,814</u>	<u>17.0%</u>
	Balance	55	-2,907	-5,383	2,475
Italy	SEP 77	3,608	32,833	26,553	23.7%
		<u>3,357</u>	<u>32,430</u>	<u>29,079</u>	<u>11.5%</u>
	Balance	251	403	2,526	2,929
Canada	AUG 77	3,575	27,920	25,429	9.8%
		<u>3,300</u>	<u>26,646</u>	<u>25,332</u>	<u>5.2%</u>
	Balance	275	1,274	97	1,178

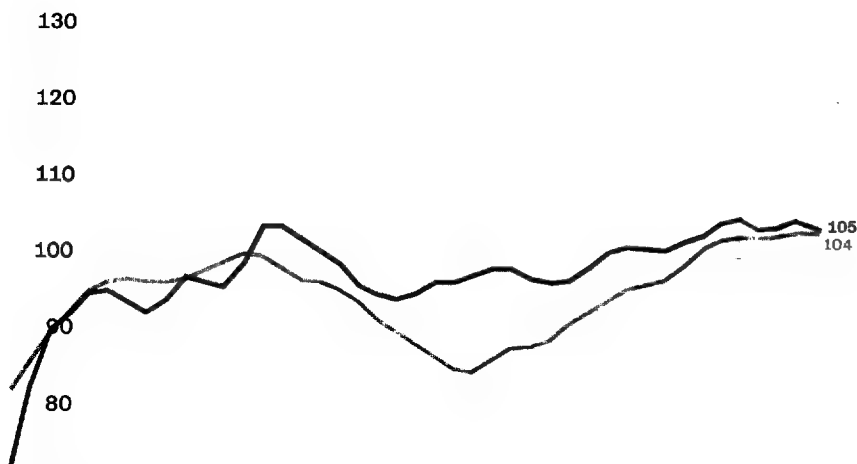
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United States

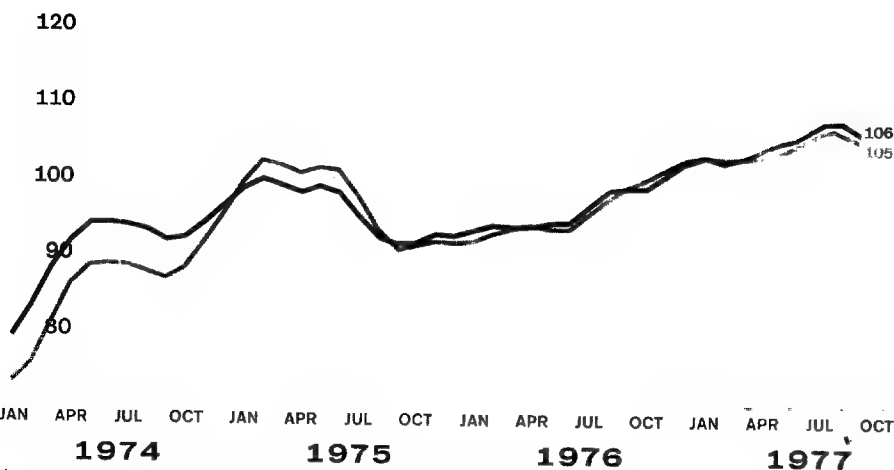
INDEX: JAN 1975 = 100



Japan

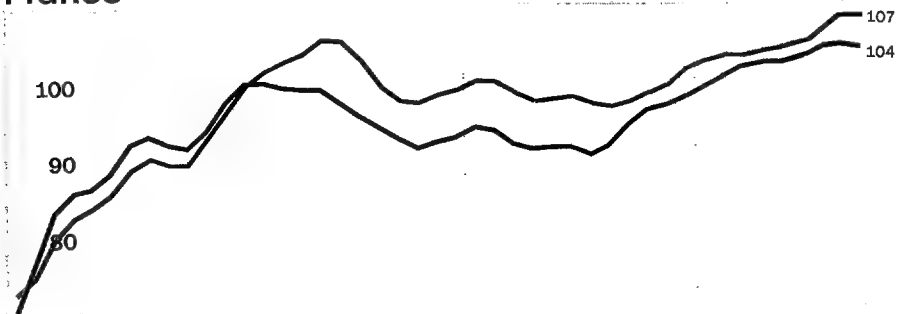


West Germany

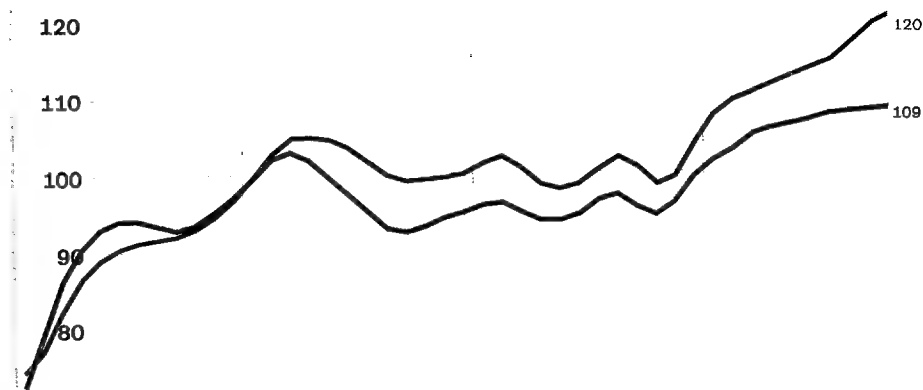


¹Export and Import plots are based on five month weighted moving averages.

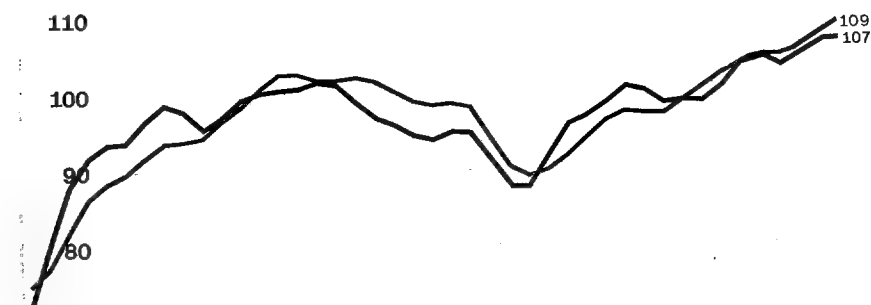
France



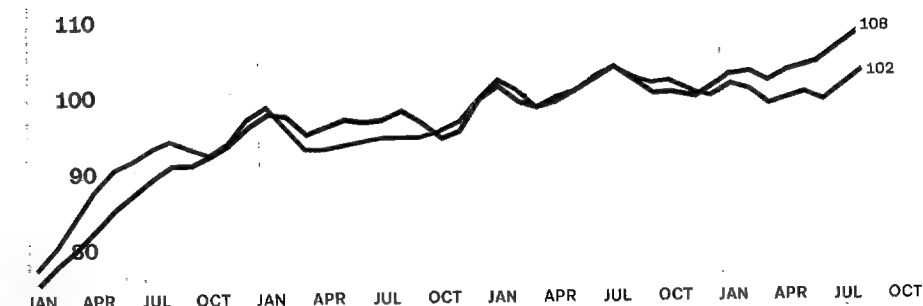
United Kingdom



Italy



Canada



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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
Brazil	76 II	0.1	11.0	10.7	0.4
India	May 77	-0.8	5.1	2.2	10.5
South Korea	Aug 77	4.7	22.7	13.6	49.3
Mexico	Jun 77	0.8	5.9	5.5	28.0
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Sep 77	7.2	15.0	12.3	-2.0

¹ Seasonally adjusted.² Average for latest 3 months compared with average for previous 3 months.MONEY SUPPLY ¹

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	May 77	1.5	36.3	41.7
India	Jun 77	0.3	12.0	16.9
Iran	Jul 77	-0.2	28.4	26.6
South Korea	Aug 77	2.2	31.6	39.9
Mexico	Jul 77	1.1	18.8	27.6
Nigeria	Feb 77	5.9	35.9	54.8
Taiwan	Jul 77	1.4	24.4	27.1
Thailand	Jun 77	-1.8	13.1	12.0

¹ Seasonally adjusted.² Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Oct 77	2.7	27.2	42.1
India	May 77	1.6	8.3	9.7
Iran	Aug 77	-0.3	12.3	30.7
South Korea	Sep 77	0.3	14.5	9.2
Mexico	Aug 77	2.1	14.9	34.3
Nigeria	Mar 77	3.4	14.9	13.6
Taiwan	Sep 77	-1.9	10.9	10.4
Thailand	Aug 77	1.1	8.7	9.9

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Sep 77	1.6	27.1	34.4
India	Aug 77	0.3	9.3	5.7
Iran	Aug 77	-0.6	10.3	17.7
South Korea	Sep 77	0.7	16.3	9.4
Mexico	Jul 77	0.7	16.4	48.2
Taiwan	Sep 77	-0.5	8.9	3.8
Thailand	Jul 77	1.0	10.1	7.1

EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Jul 77	-12.4	16.3	28.4
India	Feb 77	8.0	10.4	8.9
Iran	Jul 77	0	35.5	18.7
South Korea	77 II	1.4	8.7	8.5
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Aug 77	-0.3	11.8	5.3
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

Million US \$

	Latest Month	End of	Million US \$	1 Year		3 Months	
				Percent Change		Percent Change	
				Jun 1970	Earlier	Jun 1970	Earlier
Brazil	May 77		5,806	1,013	3,401	5,878	
India	Sep 77		4,648	1,006	2,686	4,559	
Iran	Sep 77		11,445	208	9,642	11,025	
South Korea	Aug 77		3,765	602	2,263	3,519	
Mexico	Mar 76		1,501	695	1,479	1,533	
Nigeria	Jun 77		4,663	148	5,885	4,931	
Taiwan	Aug 77		1,416	531	1,586	1,331	
Thailand	Sep 77		1,925	978	1,989	2,017	

FOREIGN TRADE, f.o.b.

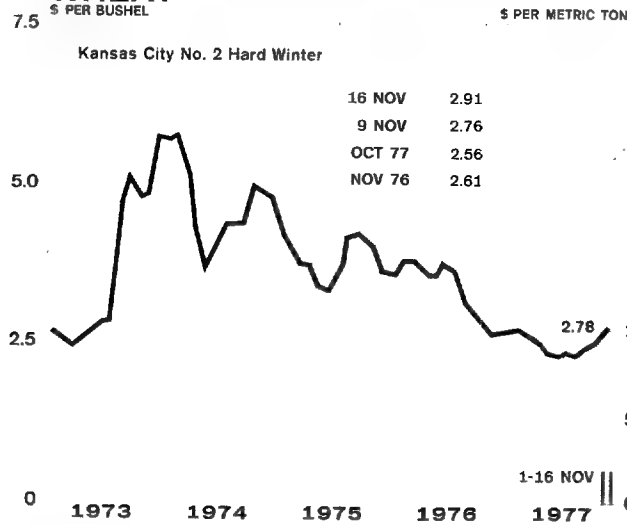
			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months Earlier ¹	1 Year Earlier	1977	1976	Change
Latest Period							
Brazil	Jul 77	Exports	110.6	27.2	7,225	5,312	36.0%
	Jul 77	Imports	22.8	-2.0	6,873	6,989	-1.7%
	Jul 77	Balance			352	-1,677	2,029
India	Jun 77	Exports	-46.9	6.3	2,707	2,485	8.9%
	Jun 77	Imports	-55.4	-5.8	2,094	2,117	-1.1%
	Jun 77	Balance			612	368	244
Iran	Aug 77	Exports	-42.5	-5.7	15,621	14,785	5.7%
	Aug 77	Imports	-18.2	-4.8	8,402	8,351	0.6%
	Aug 77	Balance			7,219	6,434	785
South Korea	Aug 77	Exports	43.9	20.3	6,217	4,838	28.5%
	Aug 77	Imports	16.4	18.8	6,265	5,121	22.3%
	Aug 77	Balance			-47	-283	235
Mexico	Jul 77	Exports	-44.5	22.1	2,453	1,892	29.6%
	Jul 77	Imports	46.2	-22.2	2,751	3,511	-21.6%
	Jul 77	Balance			-298	-1,618	1,321
Nigeria	May 77	Exports	22.9	24.5	1,965	1,570	25.2%
	Dec 76	Imports	86.7	8.4	2,531	1,990	27.2%
	Dec 76	Balance			1,502	1,102	399
Taiwan	Sep 77	Exports	-28.7	9.0	6,637	5,902	12.5%
	Sep 77	Imports	-13.9	6.1	5,722	5,111	11.9%
	Sep 77	Balance			915	790	125
Thailand	May 77	Exports	39.8	21.1	1,506	1,210	24.5%
	May 77	Imports	62.6	21.7	1,624	1,322	22.8%
	May 77	Balance			-117	-112	-5

¹ At annual rates.

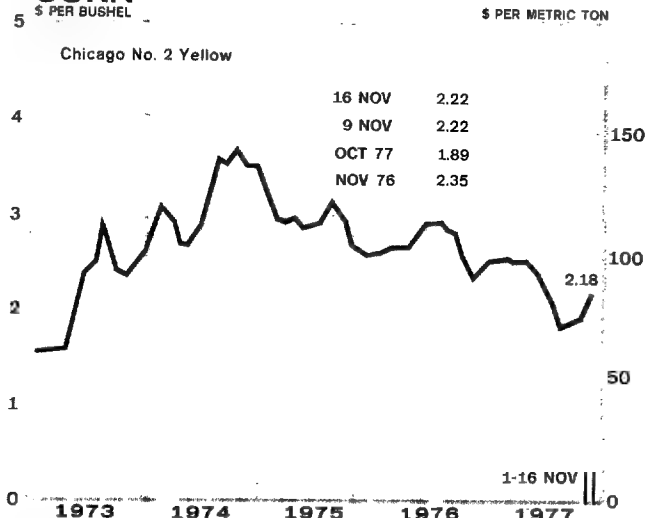
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AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

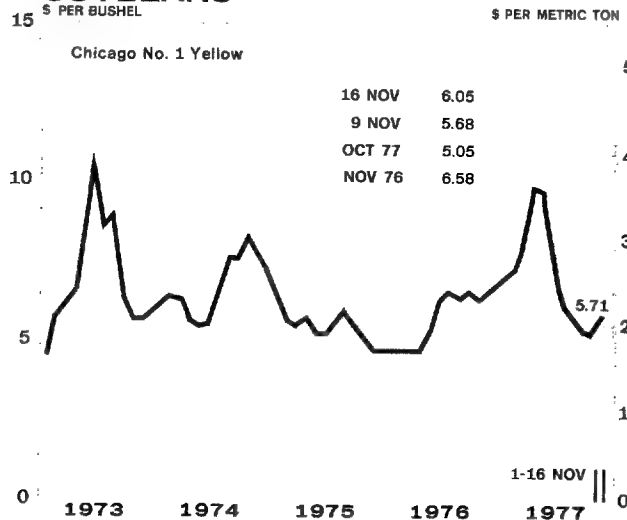
WHEAT



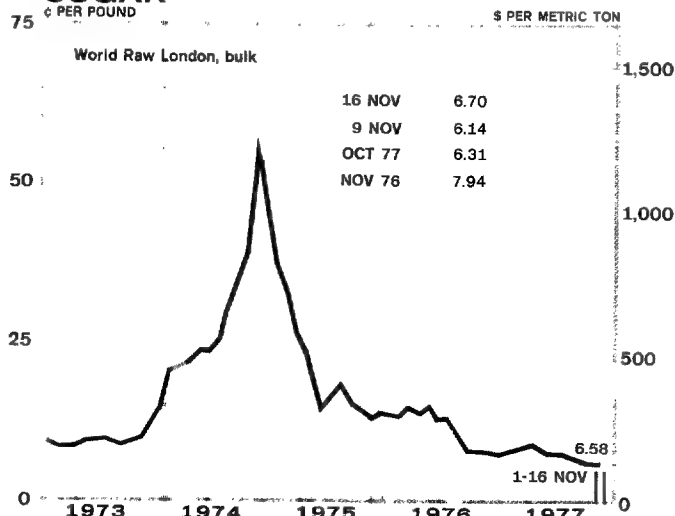
CORN



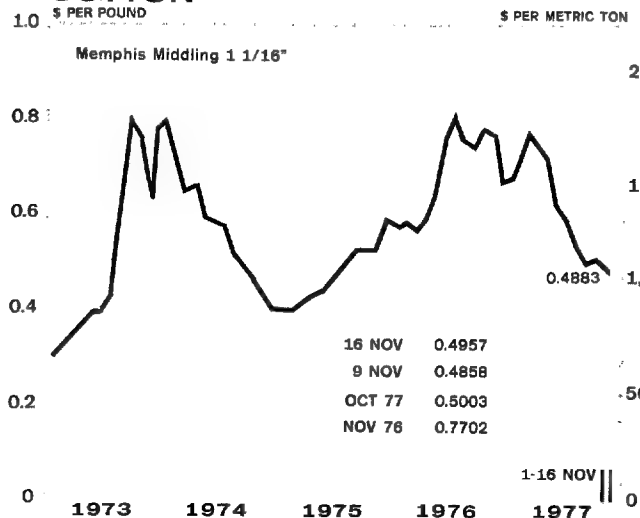
SOYBEANS



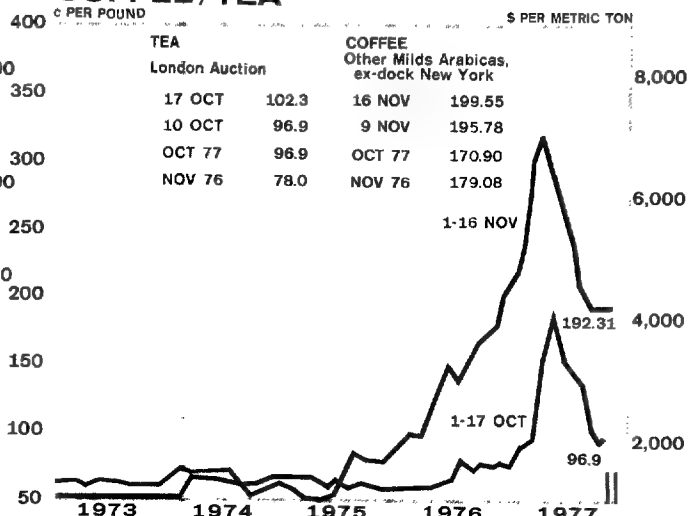
SUGAR

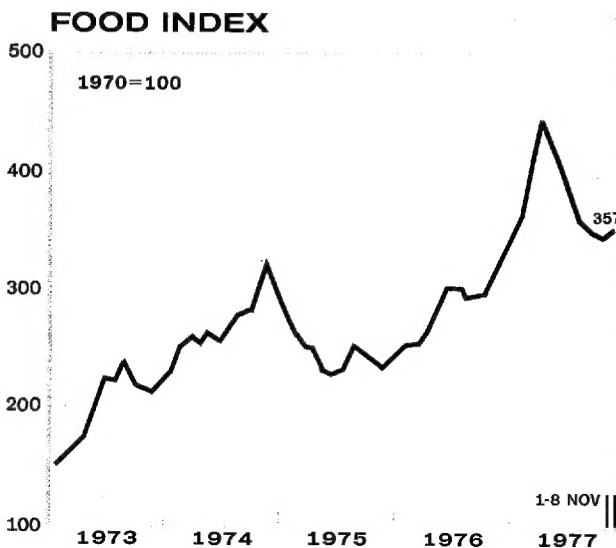
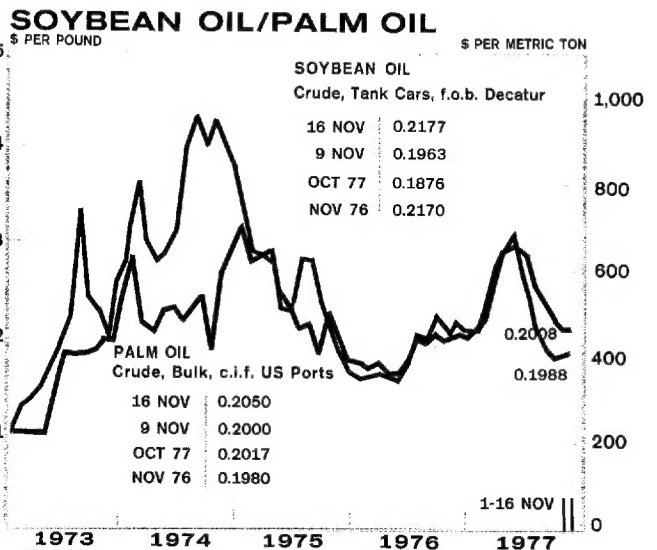
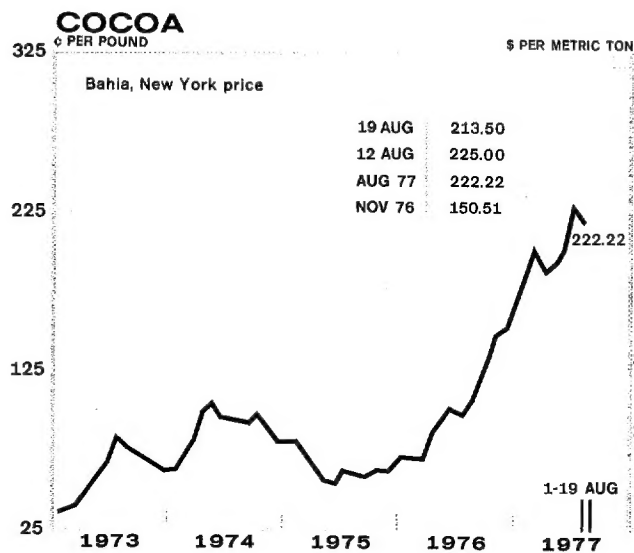
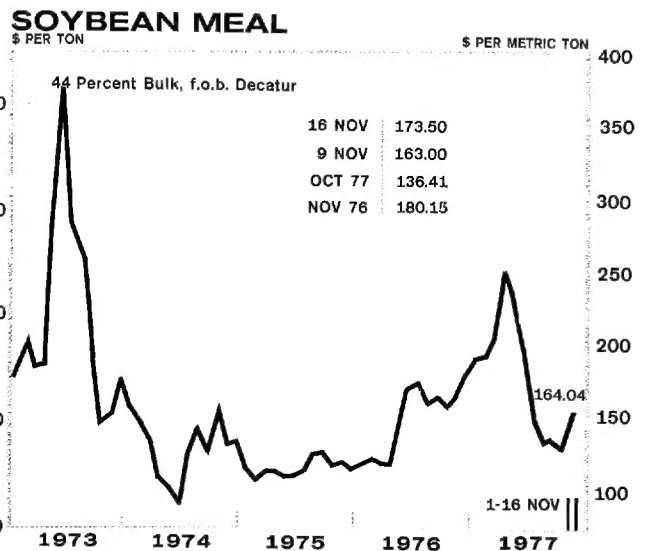
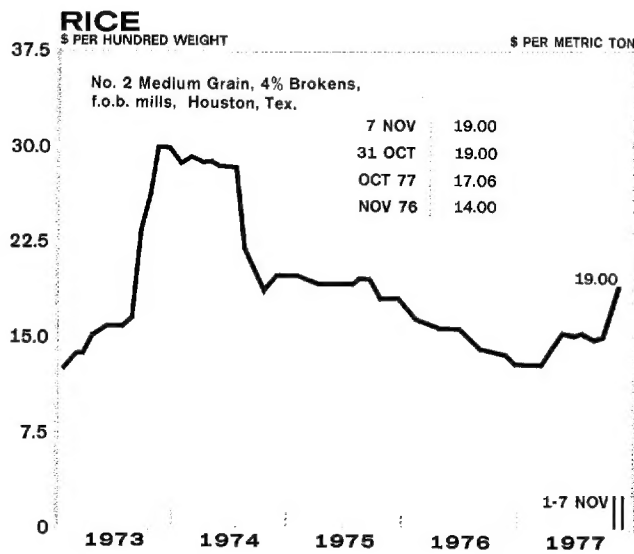


COTTON



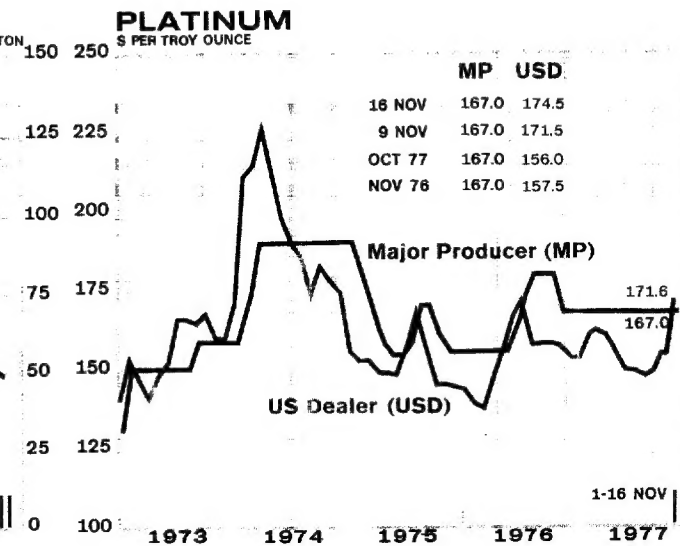
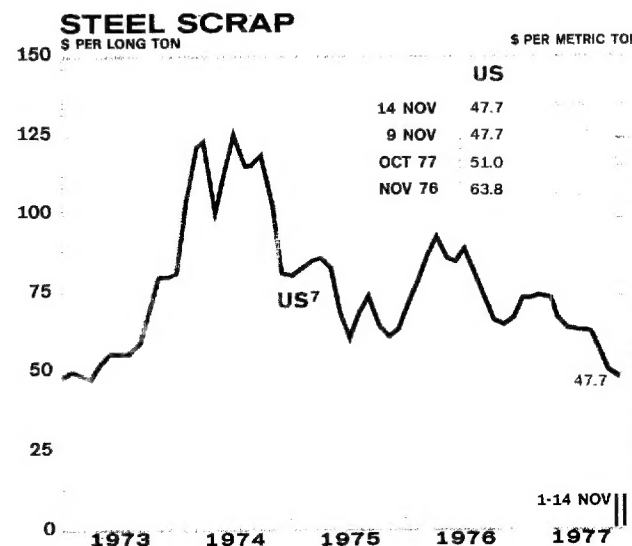
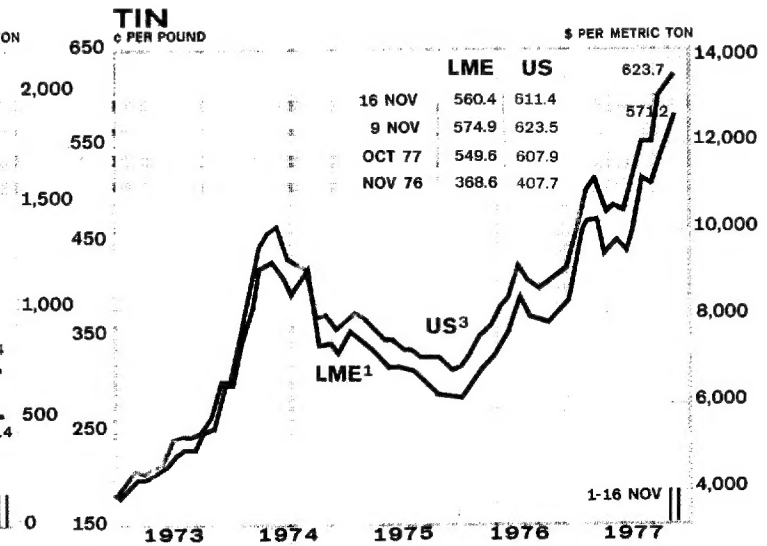
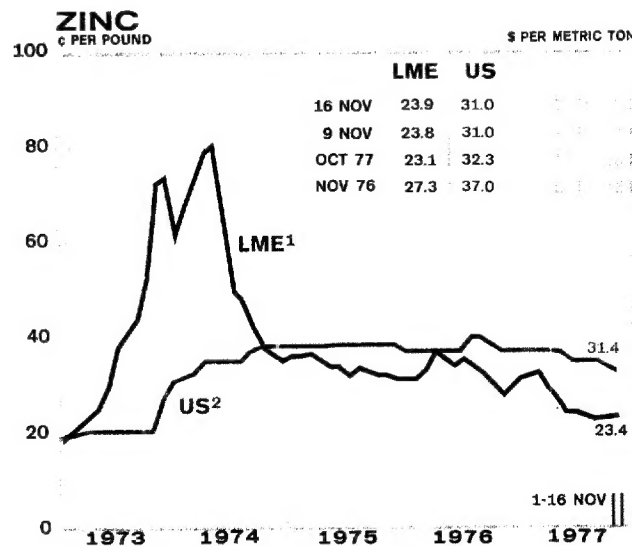
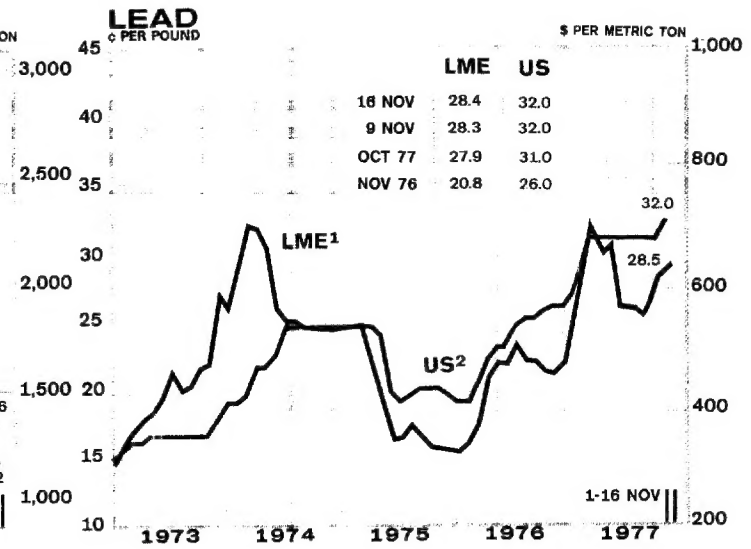
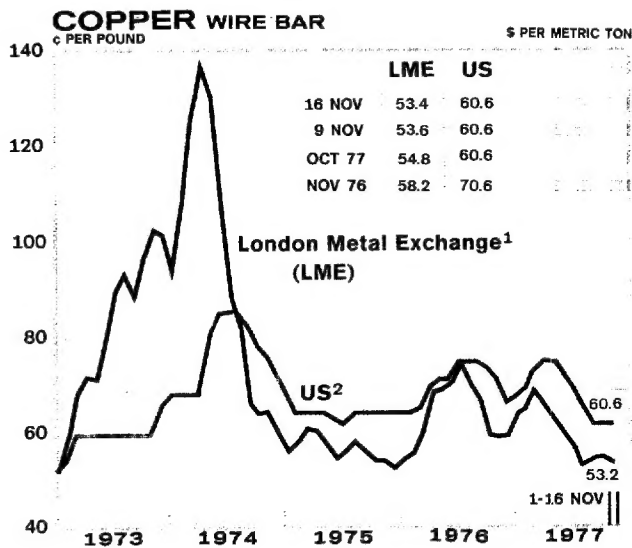
COFFEE/TEA





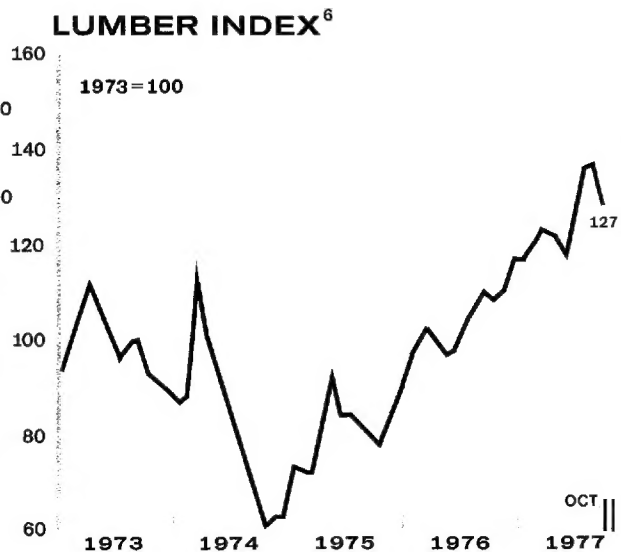
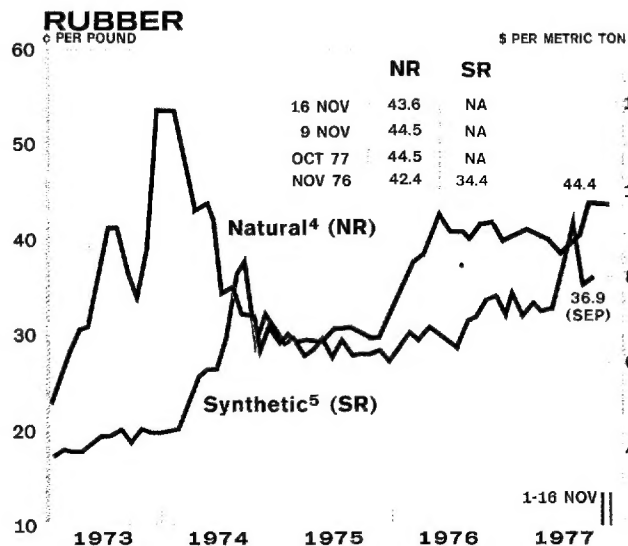
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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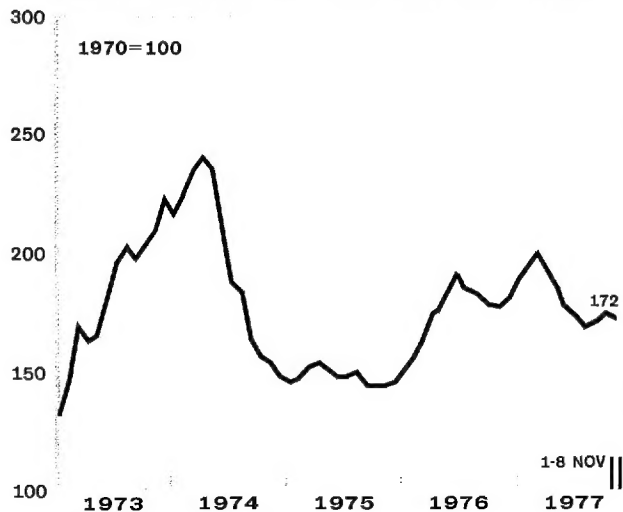
INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

SELECTED MATERIALS

			CURRENT	MAY 77	NOV 76	NOV 75
ALUMINUM	Major US Producer	¢ per pound	53.00	51.00	48.00	41.00
US STEEL	Composite	\$ per long ton	359.36	339.27	327.00	306.72
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	20.51	18.75
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	150.00	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	58.50	58.50	42.00	44.50
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	41.00	43.00	43.00	53.50
NICKEL	Composite US Producer	\$ per pound	2.10	2.40	2.41	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	72.24	72.00	72.00	67.20
TUNGSTEN ORE	Contained Metal	\$ per metric ton	22,131.00	23,106.00	18,082.00	10,799.00
MERCURY	NY	\$ per 76 pound flask	140.00	141.90	134.50	125.26
SILVER	LME Cash	¢ per troy ounce	493.12	469.85	436.90	431.93
GOLD	London Afternoon Fixing Price	\$ per troy ounce	166.71	146.60	130.44	142.42



INDUSTRIAL MATERIALS INDEX



¹Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

²Producers' price, covers most primary metals sold in the US.

³As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

⁴Quoted on New York market.

⁵S-type styrene, US export price.

⁶This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

⁷Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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STAT

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